No securities regulatory authority in Canada or any other jurisdiction has expressed an opinion about, or passed upon the fairness or merits of, the transaction described in this document, the securities offered pursuant to such transaction or the adequacy of the information contained in this document and it is an offense to claim otherwise.

Franchise
GLOBAL HEALTH

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

AND

MANAGEMENT INFORMATION CIRCULAR

FOR A SPECIAL MEETING OF THE SHAREHOLDERS OF FRANCHISE GLOBAL HEALTH INC.

TO BE HELD ON

DECEMBER 13, 2022

WITH RESPECT TO A PROPOSED PLAN OF ARRANGEMENT INVOLVING FRANCHISE GLOBAL HEALTH INC. AND FLORA GROWTH CORP.

PLEASE VOTE TODAY

THE BOARD OF DIRECTORS OF FRANCHISE GLOBAL HEALTH INC. UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS OF FRANCHISE GLOBAL HEALTH INC. VOTE FOR THE ARRANGEMENT RESOLUTION.

These materials are important and require your immediate attention. The shareholders of Franchise Global Health Inc. are required to make important decisions. If you have questions as to how to deal with these documents or the matters to which they refer, please contact your financial, legal or other professional advisor.

These materials are being provided to the holders of options and restricted share units of Franchise Global Health Inc. for information purposes only.

FRANCHISE GLOBAL HEALTH INC.
550 Burrard Street, Suite 2300
Vancouver, British Columbia V6C 2B5

Dear Shareholder:

You are cordially invited to attend a special meeting (the "**Meeting**") of the holders of common shares (the "**FGH Shareholders**") of Franchise Global Health Inc. ("**FGH**" or the "**Company**") to be held at the Toronto offices of Gowling WLG (Canada) LLP, located at 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario M5X 1G5 on December 13, 2022 beginning at 10:00 a.m. (Toronto Time).

On October 21, 2022, FGH entered into an arrangement agreement (the "**Arrangement Agreement**") with Flora Growth Corp. ("**Flora Growth**"), pursuant to which Flora Growth agreed to acquire all of the common shares of the Company (the "**FGH Shares**") by way of a statutory plan of arrangement (the "**Plan of Arrangement**") under the *Business Corporations Act* (British Columbia) (the "**Arrangement**").

Under the terms of the Arrangement Agreement, all of the FGH Shares will be acquired by Flora Growth in exchange for Flora Growth common shares (the "**Flora Shares**"). In accordance with the Plan of Arrangement, Flora Growth will issue between 36,515,060 and 43,525,951 Flora Shares, such that FGH Shareholders will receive between approximately 0.2441 of a Flora Share and 0.3235 of a Flora Share for each FGH Share held (depending on the number of FGH Shares outstanding on the closing date of the Arrangement and Flora Growth's 20-day volume-weighted average trading price as of market close on the third business day prior to the closing date of the Arrangement, in each case as determined in accordance with the Plan of Arrangement).

In addition to Flora Growth's acquisition of all of the FGH Shares, the Arrangement Agreement provides that, subject to any necessary regulatory approvals, options to purchase FGH Shares issued under its stock option plan will be accelerated and exercised prior to the completion of the Arrangement, or, if not exercised, will be terminated at the effective time of the Arrangement. Agent compensation options of the Company will remain outstanding but, upon exercise following the Arrangement, holders of such options will receive Flora Shares in lieu of FGH Shares in accordance with the Plan of Arrangement. Pursuant to the Plan of Arrangement, outstanding restricted share units of the Company will immediately vest and settle into FGH Shares which shall then be treated the same as other FGH Shares pursuant to the Arrangement.

In order to become effective, the Arrangement must be approved by a resolution passed by: (i) at least two-thirds of the votes cast by FGH Shareholders present in person or represented by proxy at the Meeting, and (ii) a simple majority of votes cast by FGH Shareholders present in person or represented by proxy at the Meeting after excluding votes cast by FGH Shareholders who are required to be excluded in accordance with Multilateral Instrument 61-101 - *Protection of Minority Securityholders in Special Transactions*. In addition to the approvals of the FGH Shareholders, completion of the Arrangement is subject to receipt of required regulatory approvals, including the approval of the TSX Venture Exchange ("**TSX-V**") and the Supreme Court of British Columbia (the "**Court**"), and other customary closing conditions, all of which are described in more detail in the accompanying management information circular of the Company (the "**Circular**").

The board of directors of FGH (the "**FGH Board**") believe that the Arrangement is in the best interests of FGH and is fair to the FGH Shareholders for the following reasons:

1. **Continued Growth.** The Arrangement will provide FGH Shareholders with between approximately 32% and 36% ownership of a rapidly growing diversified business upon completion of the Arrangement, which includes Flora Growth's cannabis cultivation facilities as well as Flora Growth's manufacturing and processing capabilities and consumer packaged goods business.

2. **Synergies and Cost Savings.** The combination of Flora Growth with FGH is expected to deliver at least US$3 million of annual cost synergies within the first year following the completion of the Arrangement, primarily in the areas of reduced corporate administrative expenses.

3. **Prospects as an Independent Entity.** The FGH Board assessed current industry, economic and market conditions and trends, and expectations of the future prospects in the cannabis industry, as well as information concerning the business, operations, assets, financial performance and condition, operating results and prospects of FGH, including the strategic direction of FGH as an independent entity and its future financial and liquidity requirements (particularly in light of a desire to avoid dilutive financings).

4. **Enhanced Access to Capital and Capital Markets Profile.** The combined entity will be a Nasdaq-listed issuer, with greater access to equity and debt capital markets with attractive liquidity and investor support.

5. **Support of Directors and Executive Officers.** All of the directors and executive officers of FGH have entered into the Voting Support Agreements with Flora Growth pursuant to which they have agreed, among other things, to support the Arrangement and to vote their FGH Shares in favour of the Arrangement.

6. **Fairness Opinion.** The FGH Board has received a fairness opinion from Haywood Securities Inc. to the effect that, as of the date of such opinion and based upon and subject to the assumptions, limitations and qualifications set out therein, the consideration to be received by FGH Shareholders pursuant to the Arrangement is fair, from a financial point of view, to FGH Shareholders (the "**Fairness Opinion**").

7. **Tax Deferred Transaction.** The exchange of FGH Shares for Flora Shares pursuant to the Arrangement will generally occur on a tax-deferred basis for Canadian federal income tax purposes. For a summary of certain Canadian federal income tax consequences of the Arrangement for FGH Shareholders who are subject to Canadian taxation, see the discussion under "*Certain Canadian Federal Income Tax Considerations*". Such summary is not intended to be legal or tax advice. FGH Shareholders should consult their own tax advisors as to the tax consequences of the Arrangement to them with respect to their particular circumstances.

After careful consideration of, among other things, the Fairness Opinion and the advice of legal advisors and such other matters as it considered relevant, the FGH Board has unanimously concluded that the Arrangement is in the best interests of FGH and is fair to the FGH Shareholders and has approved the Arrangement and authorized its submission to the FGH Shareholders and to the Court for approval. Accordingly, the FGH Board unanimously recommends that the FGH Shareholders **VOTE FOR** the Arrangement.

The accompanying Notice of Meeting and Circular contain a detailed description of the Arrangement and include certain other information to assist you in considering the matters to be voted upon. You are urged to carefully consider all of the information in the accompanying Circular, including the documents incorporated by reference. If you require assistance, you should consult your financial, legal, or other professional advisor.

Your vote is important, regardless of the number of FGH Shares you own. On behalf of FGH, we would like to thank you for your continued support as we proceed with this important transaction.

Sincerely,

(signed) "Clifford Starke"

Clifford Starke
Chief Executive Officer and Executive Chairman
Franchise Global Health Inc.

FRANCHISE GLOBAL HEALTH INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that, pursuant to an order (the "**Interim Order**") of the Supreme Court of British Columbia dated November 14, 2022 (the "**Court**"), a special meeting (the "**Meeting**") of holders ("**FGH Shareholders**") of common shares ("**FGH Shares**") of Franchise Global Health Inc. ("**FGH**" or the "**Company**") will be held at the offices of Gowling WLG (Canada) LLP at 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario, M5X 1G5, on December 13, 2022 at 10:00 a.m. (Toronto time), for the following purposes:

(a) to consider, pursuant to an interim order of the Supreme Court of British Columbia rendered November 14, 2022 and, if deemed advisable, to pass, with or without variation, a special resolution (the "**Arrangement Resolution**"), the full text of which is attached as Appendix "A" to the accompanying management information circular (the "**Circular**") to authorize and approve a plan of arrangement (the "**Plan of Arrangement**") under Part 9, Division 5 of the *Business Corporations Act* (British Columbia) (the "**BCBCA**"), involving FGH and Flora Growth Corp. ("**Flora Growth**") pursuant to which, subject to the terms and conditions of the arrangement agreement dated October 21, 2022 between FGH and Flora Growth (as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with its terms), Flora Growth will, among other things, acquire all of the issued and outstanding FGH Shares, all as more particularly described in the accompanying Circular; and

(b) to transact such other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

This notice of the Meeting (the "**Notice of Meeting**") is accompanied by the Circular, which provides additional information relating to the matters to be addressed at the Meeting and forms part of this Notice of Meeting. A copy of the arrangement agreement dated October 21, 2022 between the Company and Flora Growth is available for inspection by FGH Shareholders on the System for Electronic Document Analysis and Retrieval at www.sedar.com under the Company's profile.

In addition to the approval of the Arrangement Resolution, completion of the Arrangement is conditional upon certain other matters described in the Circular, including the approval of the Court and receipt of required regulatory approvals.

Your vote is important. As a FGH Shareholder, it is very important that you read this Notice of Meeting and accompanying Circular carefully and then vote your FGH Shares. The FGH board of directors has fixed November 9, 2022 as the record date (the "**Record Date**") for determining FGH Shareholders who are entitled to receive notice of and to vote at the Meeting, or at any adjournment(s) or postponement(s) thereof. Proxies to be used or acted upon at the Meeting must be deposited with FGH's transfer agent, TSX Trust Company at 301-100 Adelaide Street West, Toronto, Ontario, M5H 4H1, by way of one of the permitted manners described in the Circular, by no later than 10:00 a.m. (Toronto time) on December 9, 2022 (or a day other than a Saturday, Sunday or holiday which is at least 48 hours before any adjournment or postponement of the Meeting). The time limit for deposit of proxies may be waived or extended by the Chair of the Meeting, at the Chair's discretion, with or without notice.

FGH Shareholders holding FGH Shares through an intermediary may have an earlier deadline by which the intermediary must receive voting instructions in order to exercise the voting rights attached to the FGH Shares beneficially owned by them. FGH Shareholders who hold FGH Shares through an intermediary should follow the instructions provided by the intermediary. **FGH Shareholders who are planning to return the form of proxy or voting instruction form are encouraged to review the Circular carefully before submitting such form.**

Pursuant to and in accordance with the Plan of Arrangement, the Interim Order and the provisions of Sections 237 to 247 of the BCBCA (as modified or supplemented by the Interim Order, the Plan of Arrangement or any other order of the Court), registered FGH Shareholders have a right to dissent in respect of the Arrangement Resolution and to be paid an amount equal to the fair value of their FGH Shares (the "**Dissent Rights**"), provided that such FGH Shareholders have complied with the dissent procedures set forth in Sections 237 to 247 of the BCBCA, as modified by the Interim Order, the Plan of Arrangement or other order of the Court. Dissent Rights are more particularly described in the accompanying Circular under the heading "*The Arrangement – Dissent Rights for FGH Shareholders*" and the dissent provisions of the BCBCA attached to the Circular as Appendix "H". **The statutory provisions covering Dissent Rights are technical and complex. Failure to strictly comply with the requirements set forth in Sections 237 to 247 of the BCBCA, as modified by the Interim Order, the Plan of Arrangement or other order of the Court, may result in the inability of a FGH Shareholder to exercise their Dissent Rights. It is strongly suggested that any FGH Shareholder wishing to dissent to seek independent legal advice.** Persons who are beneficial owners of FGH Shares registered in the name of a broker, investment dealer, bank, trust company, custodian, nominee or other intermediary that wish to exercise Dissent Rights should be aware that only registered holders of FGH Shares are entitled to exercise Dissent Rights. Accordingly, a non-registered owner of FGH Shares desiring to exercise Dissent Rights must make arrangements for the FGH Shares beneficially owned by that holder to be registered in that holder's name prior to the time the written notice of dissent to the Arrangement Resolution is required to be received by FGH or, alternatively, make arrangements for the registered holder of such FGH Shares to exercise Dissent Rights on behalf of the holder.

If you have any questions or require assistance with voting your FGH Shares, please contact TSX Trust Company by telephone (toll free within North America) at 1 (866) 600-5869 (+1 (416) 342-1091 for calls outside North America) or by email at tsxtis@tmx.com.

DATED at Vancouver, British Columbia, this 14th day of November, 2022.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "Clifford Starke"

Clifford Starke
Chief Executive Officer and Executive Chairman

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QUESTIONS AND ANSWERS ABOUT THE ARRANGEMENT AND THE MEETING

The information contained below is of a summary nature and is qualified in its entirety by the more detailed information contained elsewhere or incorporated by reference in this Circular, including the appendices hereto and the form of proxy, all of which are important and should be reviewed carefully. Capitalized terms used in these questions and answers, but not otherwise defined, have the meanings given to them in the Section of this Circular entitled "*Glossary of Terms*".

Why is the Meeting being held?

The Meeting is being held because Flora Growth and FGH have entered into the Arrangement Agreement pursuant to which Flora Growth has agreed to acquire all of the issued and outstanding FGH Shares, by way of the Arrangement. As consideration under the Arrangement, Flora Growth will issue between 36,515,060 and 43,525,951 Flora Shares, such that FGH Shareholders (other than Dissenting Shareholders) will receive between approximately 0.2441 of a Flora Share and 0.3235 of a Flora Share for each FGH Share held (depending on the number of FGH Shares outstanding on the closing date of the Arrangement and Flora Growth's 20-day volume-weighted average price as of market close on the third business day prior to the Closing Date, in each case as determined in accordance with the Plan of Arrangement, as more particularly described in the accompanying Circular).

The Arrangement cannot proceed unless a number of conditions are satisfied, including the approval of the Arrangement Resolution by FGH Shareholders. In order to become effective, the Arrangement Resolution will require the affirmative vote of: (i) at least two-thirds of the votes cast by FGH Shareholders (voting together as a single class) present at the Meeting or represented by proxy; and (ii) a simple majority of the votes cast by FGH Shareholders present at the Meeting or represented by proxy, excluding any votes cast by those FGH Shareholders whose votes are required to be excluded in accordance with MI 61-101.

See below under the headings "*Summary of Material Agreements – The Arrangement Agreement*" and "*The Arrangement – Approvals Required for the Arrangement*" for more information.

What are the FGH Shareholders being asked to approve?

FGH Shareholders will be asked to vote on the Arrangement Resolution which, if passed by the requisite FGH Shareholders, approves the completion of the Arrangement involving, among others, FGH and Flora Growth under Part 9, Division 5 of the BCBCA, pursuant to which Flora Growth will acquire all of the issued and outstanding FGH Shares. As consideration under the Arrangement, Flora Growth will issue between 36,515,060 and 43,525,951 Flora Shares, such that FGH Shareholders (other than Dissenting Shareholders) will receive between approximately 0.2441 of a Flora Share and 0.3235 of a Flora Share for each FGH Share held (depending on the number of FGH Shares outstanding on the closing date of the Arrangement and Flora Growth's 20-day volume-weighted average price as of market close on the third business day prior to the Closing Date, in each case as determined in accordance with the Plan of Arrangement, as more particularly described in the accompanying Circular).

See below under the heading "*The Meeting – Business of the Meeting*" for more information.

What consideration will I receive for my FGH Shares?

If the Arrangement is completed, Flora Growth will issue between 36,515,060 and 43,525,951 Flora Shares, such that FGH Shareholders (other than Dissenting Shareholders) will receive between approximately 0.2441 of a Flora Share and 0.3235 of a Flora Share for each FGH Share held (depending on the number of FGH Shares outstanding on the closing date of the Arrangement and Flora Growth's 20-day volume-weighted average price as of market close on the third business day prior to the Closing Date, in each case as determined in accordance with the Plan of Arrangement, as more particularly described in the accompanying Circular). For more information, please see

the heading "*The Arrangement – Description of the Arrangement – Effect of the Arrangement on Holders of FGH Shares*."

FGH Shareholders should understand that, pursuant to the Plan of Arrangement, until the date that is 90 calendar days following the Effective Date, the Consideration Shares issued by Flora Growth to former FGH Shareholders in connection with the Arrangement may not be transferred without the consent of Flora Growth, except in certain limited circumstances. For more information, please see the heading "*The Arrangement – Issuance and Resale of Securities Issued to FGH Shareholders as Consideration Under the Arrangement – 90-Day Transfer Restriction*".

How will the FGH Options, Agent Compensation Options and FGH RSUs be treated under the Arrangement?

FGH Options

Pursuant to the Plan of Arrangement and the terms of the FGH Stock Option Plan, the FGH Board shall, prior to the Effective Time: (i) approve the acceleration of the vesting of all outstanding FGH Options, subject to receipt of requisite regulatory approval (if any), and upon such approval each FGH Option shall be deemed to be vested and exercisable prior to the Effective Time; and (ii) approve, conditional upon completion of the Arrangement, the termination and cancellation of all FGH Options that have not been exercised prior to the Effective Time without payment of any consideration to the holders of such terminated and canceled FGH Options.

See below under the heading "*The Arrangement – Description of the Arrangement – Effect of the Arrangement on Holders of FGH Options*" for more information.

Agent Compensation Options

Pursuant to the Plan of Arrangement and in accordance with the terms of the Agent Compensation Options, each holder of an Agent Compensation Option outstanding immediately prior to the Effective Time shall receive upon the subsequent exercise of such holder's Agent Compensation Option, in accordance with its terms and for the same aggregate consideration therefor, and shall accept in lieu of each FGH Share to which such holder was theretofore entitled upon such exercise, the Consideration.

See below under the heading "*The Arrangement – Description of the Arrangement – Effect of the Arrangement on Holders of Agent Compensation Options*" for more information.

FGH RSUs

Pursuant to the Plan of Arrangement, each FGH RSU that is outstanding immediately prior to the Effective Time (whether vested or unvested) shall immediately vest and the Company shall allot and issue to each holder of a FGH RSU such number of FGH Shares to which they are entitled under the terms of the FGH RSU Plan and thereafter the FGH RSU Plan will terminate. FGH Shares received upon settlement of the FGH RSUs will be subject to the Plan of Arrangement in the same manner as that which applies to holders of FGH Shares.

See below under the heading "*The Arrangement – Description of the Arrangement – Effect of the Arrangement on Holders of FGH RSUs*" for more information.

When and where is the Meeting being held?

As authorized by, and in accordance with the terms of the Interim Order, FGH is convening and conducting the Meeting at the offices of Gowling WLG (Canada) LLP, located at 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario, M5X 1G5, at 10:00 a.m. (Toronto time) on December 13, 2022. See below under the heading "*The Meeting*" for more information.

Who is entitled to vote at the Meeting?

Only FGH Shareholders of record on the Record Date, being November 9, 2022, will be entitled to receive notice of, and vote at the Meeting or any adjournment(s) or postponement(s) thereof.

See below under the heading "*The Meeting – Record Date*" for more information.

How do I vote my FGH Shares?

The manner in which you vote your FGH Shares depends on whether you are a registered FGH Shareholder or a non-registered (beneficial) FGH Shareholder. You are a registered FGH Shareholder if you have one or more share certificates or DRS Advices representing FGH Shares issued in your name and appear as the registered FGH Shareholder on the books of FGH. You are a non-registered FGH Shareholder if your FGH Shares are registered in the name of an intermediary, such as a broker, investment dealer, bank, trust company, custodian, nominee or other intermediary. If you are not sure whether you are a registered or a non-registered FGH Shareholder, please contact TSX Trust, by telephone (toll free within North America) at 1 (866) 600-5869 (+1 (416) 342-1091 for calls outside North America) or by email at tsxtis@tmx.com.

See below under the heading "*The Meeting – Voting of Proxies and Exercise of Discretion*" for more information.

Registered FGH Shareholders – Voting by Proxy

Voting by proxy is the easiest way for registered FGH Shareholders to cast their vote. Your vote will be counted if it is received by TSX Trust by no later than 10:00 a.m. (Toronto time) on December 9, 2022 or, in the event that the Meeting is adjourned or postponed, on a business day at least 48 hours before the date and time to which the Meeting is adjourned or postponed. Registered FGH Shareholders can vote by proxy by submitting their vote to TSX Trust via internet submission (www.voteproxyonline.com), by fax at (416) 595-9593, or by mail (using the enclosed return envelope).

Except as set out above, you may appoint a person other than the directors and officers designated by FGH on your form of proxy to represent you and vote on your behalf at the Meeting. This person does not have to be a FGH Shareholder. To do so, write the name of the person you are appointing in the space provided. Complete your voting instructions, sign and date the form of proxy, and return it to TSX Trust as instructed. Please ensure that the person you appoint is aware that he or she has been appointed to attend the Meeting.

In order for your duly appointed proxyholder to vote your shares on your behalf, they must attend the Meeting and register with TSX Trust before the commencement of the Meeting.

Registered FGH Shareholders – Attending and Voting in Person

Registered FGH Shareholders and duly appointed proxyholders have the ability to attend, participate, ask questions and vote at the Meeting.

Non-Registered (Beneficial) FGH Shareholders – Submitting Voting Instructions

If you are a non-registered (beneficial) FGH Shareholder, you will receive a voting instruction form that allows you to deliver voting instructions to your intermediary on the Internet, by telephone or by mail. To deliver voting instructions to your intermediary, you should follow the instructions provided on your voting instruction form. Your intermediary is required to ask for your voting instructions before the Meeting. Please contact your intermediary if you did not receive a voting instruction form. Alternatively, you may receive from your intermediary a pre-authorized form of proxy indicating the number of FGH Shares to be voted, which you should complete, sign, date and return as directed on the form. **Each intermediary has its own procedures which should**

be carefully followed by non-registered FGH Shareholders to ensure that their FGH Shares are voted by their intermediary on their behalf at the Meeting.

Most brokers delegate responsibility for obtaining instructions from clients to Broadridge in the United States and Canada. Broadridge mails a voting instruction form in lieu of a proxy provided by FGH. The voting instruction form will name the same persons as the FGH proxy to represent your FGH Shares at the Meeting. Non-registered FGH Shareholders may call a toll-free number or go online to the website indicated on the voting instruction form to vote. Alternatively, the completed voting instruction form must be returned by mail (using the return envelope provided) or by facsimile. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of the FGH Shares to be represented at the Meeting and the appointment of any FGH Shareholder's appointed proxyholder. If your intermediary does not utilize Broadridge you must complete your voting instruction form in accordance with the instructions received on the voting instruction form.

Non-Registered (Beneficial) FGH Shareholders – Voting in person at the Meeting

If you are a non-registered (beneficial) FGH Shareholder, you can only vote your FGH Shares at the Meeting if you have previously appointed yourself as the proxyholder for your FGH Shares by printing your name in the space provided on your voting instruction form and submitting it as directed on the form. **You may also appoint someone else as the proxyholder for your FGH Shares by printing their name in the space provided on your voting instruction form and submitting it as directed on the form. If you appoint someone else as your proxyholder they must attend the meeting in order for your shares to be voted.**

Your voting instructions must be received in sufficient time to allow your voting instruction form to be forwarded by your intermediary to TSX Trust before 10:00 a.m. (Toronto time) on December 9, 2022. If you plan to participate in the Meeting (or to have your proxyholder attend the Meeting), you or your proxyholder will not be entitled to attend, vote or ask questions, unless the proper documentation is completed and received by your intermediary well in advance of the Meeting to allow them to forward the necessary information to TSX Trust before 10:00 a.m. (Toronto time) on December 9, 2022. **You should contact your intermediary well in advance of the Meeting and follow its instructions if you want to participate in the Meeting.**

Is there a deadline for my proxy to be received?

Yes. Proxies must be received by 10:00 a.m. (Toronto time) on December 9, 2022 (or a day other than a Saturday, Sunday or holiday which is at least 48 hours before any adjournment or postponement of the Meeting). If you are a non-registered (beneficial) FGH Shareholder, all required voting instructions must be submitted to your intermediary sufficiently in advance of December 9, 2022 to allow your intermediary time to forward this information to TSX Trust before the aforementioned proxy cut-off. The Chair of the Meeting has the right to accept late proxies and to extend or waive the proxy voting deadline, with or without notice, but the Chair of the Meeting is under no obligation to accept or reject any particular late proxy.

See below under the heading "*The Meeting – Appointment and Revocation of Proxies*" for more information.

How will my FGH Shares be voted if I return a proxy?

The accompanying form of FGH proxy confers authority on the persons named in it as proxies with respect to any amendments or variations to the matters identified in the Notice of Meeting or other matters that may properly come before the Meeting, or any adjournment or postponement thereof, and the named proxies in your properly executed proxy will be voted or withheld on such matters in accordance with the instructions of the FGH Shareholder. If you sign and return your form of proxy without designating a proxyholder and do not give voting instructions, FGH representatives named in the form of proxy will vote your FGH Shares in favour of the Arrangement Resolution. At the date of this Circular, FGH is not aware of any amendments, variations or other matters which are to be presented for action at the Meeting.

See below under the heading "*The Meeting – Voting of Proxies and Exercise of Discretion*" for more information.

What are the benefits of the Arrangement to FGH Shareholders?

In the course of its evaluation of the Arrangement, the FGH Board considered a number of factors, including those listed below, with the benefit of advice from its financial advisors and legal counsel.

The following is a summary of the principal reasons for the unanimous recommendation of the FGH Board that FGH Shareholders **VOTE FOR** the Arrangement Resolution:

Continued Growth. The Arrangement will provide FGH Shareholders with between approximately 32% and 36% ownership of a rapidly growing diversified business upon completion of the Arrangement, which includes Flora Growth's cannabis cultivation facilities as well as Flora Growth's manufacturing and processing capabilities and consumer packaged goods business.

Synergies and Cost Savings. The combination of Flora Growth with FGH is expected to deliver at least US$3 million of annual cost synergies within the first year following the completion of the Arrangement, primarily in the areas of reduced corporate administrative expenses.

Prospects as an Independent Entity. The FGH Board assessed current industry, economic and market conditions and trends, and expectations of the future prospects in the cannabis industry, as well as information concerning the business, operations, assets, financial performance and condition, operating results and prospects of FGH, including the strategic direction of FGH as an independent entity and its future financial and liquidity requirements (particularly in light of a desire to avoid dilutive financings).

Enhanced Access to Capital and Capital Markets Profile. The combined entity will be a Nasdaq-listed issuer, with greater access to equity and debt capital markets with attractive liquidity and investor support.

Support of Directors and Executive Officers. All of the directors and executive officers of FGH have entered into the Voting Support Agreements with Flora Growth pursuant to which they have agreed, among other things, to support the Arrangement and to vote their FGH Shares in favour of the Arrangement.

Fairness Opinion. The FGH Board has received a fairness opinion from the Financial Advisor to the effect that, as of the date of such opinion and based upon and subject to the assumptions, limitations and qualifications set out therein, the consideration to be received by FGH Shareholders pursuant to the Arrangement is fair, from a financial point of view, to FGH Shareholders. See "*The Arrangement – Fairness Opinion*".

Tax-Deferred Transaction. The exchange of FGH Shares for Flora Shares pursuant to the Arrangement will generally occur on a tax-deferred basis for Canadian federal income tax purposes. For a summary of certain Canadian federal income tax consequences of the Arrangement for FGH Shareholders who are subject to Canadian taxation, see the discussion under "*Certain Canadian Federal Income Tax Considerations*". Such summary is not intended to be legal or tax advice. FGH Shareholders should consult their own tax advisors as to the tax consequences of the Arrangement to them with respect to their particular circumstances.

The FGH Board also considered the risks relating to the Arrangement, including those matters described under the heading "*Risk Factors*". The FGH Board believes that, overall, the anticipated benefits of the Arrangement to FGH outweigh these risks.

In making its determinations and recommendations, the FGH Board also observed that a number of procedural safeguards were in place and are present to permit the FGH Board to represent the interests of FGH, the FGH Shareholders and FGH's other stakeholders. These procedural safeguards include, among others:

Arm's Length Negotiation Process. The Arrangement is the result of a comprehensive arm's length negotiation process with Flora Growth that was undertaken by the FGH Board with the assistance of FGH's management as well as FGH's financial and legal advisors.

Ability to Respond to Superior Proposals. Notwithstanding the limitations contained in the Arrangement Agreement on FGH's ability to solicit interest from third parties, the Arrangement Agreement allows FGH to engage in discussions or negotiations regarding any unsolicited Acquisition Proposal received prior to the approval of the Arrangement Resolution by FGH Shareholders and after the FGH Board first determines in good faith, after consultation with its financial advisors and outside legal counsel, that such Acquisition Proposal constitutes, or could reasonably be expected to constitute or lead to a Superior Proposal. Subject to Flora Growth's right to match, FGH is also permitted to change its recommendation, terminate the Arrangement Agreement and enter into an agreement with respect to a Superior Proposal if, among other things, FGH pays the Termination Amount to Flora Growth. See "*Summary of Material Agreements – The Arrangement Agreement – FGH Covenants Regarding Non-Solicitation*".

Reasonable Termination Payment. The FGH Board believes that the $1,000,000 termination fee, which is payable by FGH in certain circumstances described under "*Summary of Material Agreements – The Arrangement Agreement –Termination Payment*" is reasonable. In the view of the FGH Board, the termination fee would not preclude a third party from potentially making a Superior Proposal.

Shareholder Approvals. In order to proceed, the Arrangement Resolution must be approved by: (i) not less than two-thirds (66 2/3%) of the votes cast by FGH Shareholders, present in person or represented by proxy at the Meeting; and (ii) a simple majority (greater than 50%) of the votes cast by FGH Shareholders, present in person or represented by proxy at the Meeting, after excluding the votes cast by persons whose votes are required to be excluded in determining minority approval in accordance with MI 61-101. See "*The Arrangement – Approvals Required for the Arrangement – FGH Shareholder Approval*".

Court Approval. The Arrangement must be approved by the Court, which will consider, among other things, the substantive and procedural fairness and the rights and interests of every person affected.

Dissent Rights. Dissent Rights are available to registered FGH Shareholders with respect to the Arrangement. See "*The Arrangement – Dissent Rights for FGH Shareholders*".

See below under the heading "*The Arrangement – Recommendation of the FGH Board – Reasons for the Recommendation of the FGH Board*" for more information.

Does the FGH Board support the Arrangement?

Yes. After careful consideration of the terms of the Arrangement, including consultation with its legal and financial advisors, the receipt of the Fairness Opinion and the other factors set out below under the heading "*The Arrangement – Recommendation of the FGH Board – Reasons for the Recommendation of the FGH Board*", the FGH Board:

- Unanimously determined that the Arrangement is in the best interests of FGH and is fair to the FGH Shareholders;
- Unanimously approved the Arrangement and the entering into of the Arrangement Agreement; and
- Unanimously recommends that FGH Shareholders **VOTE FOR** the Arrangement Resolution.

In determining to approve the Arrangement and in making its recommendation to FGH Shareholders, the FGH Board considered a number of factors described in this Circular under "*The Arrangement – Recommendation of the FGH Board – Reasons for the Recommendation of the FGH Board*", including the receipt of the Fairness

Opinion, which concludes that, as of the date of such opinion and based upon and subject to the assumptions, limitations and qualifications set out therein, the consideration to be received by FGH Shareholders pursuant to the Arrangement is fair, from a financial point of view, to FGH Shareholders.

THE FGH BOARD UNANIMOUSLY RECOMMENDS THAT THE FGH SHAREHOLDERS VOTE FOR THE ARRANGEMENT RESOLUTION.

See below under the headings "*The Arrangement – Recommendation of the FGH Board*" and "*The Arrangement – Recommendation of the FGH Board – Reasons for the Recommendation of the FGH Board*" for more information.

What approvals are required by the FGH Shareholders at the Meeting?

In order for the Arrangement to be completed, the Arrangement Resolution will require the affirmative vote of: (i) at least two-thirds of the votes cast by FGH Shareholders present at the Meeting or represented by proxy; and (ii) a simple majority of the votes cast by FGH Shareholders present at the Meeting or represented by proxy, excluding any votes cast by those FGH Shareholders whose votes are required to be excluded in accordance with MI 61-101.

See below under the heading "*The Arrangement – Approvals Required for the Arrangement*" for more information.

What other approvals are required for the Arrangement to be completed?

In addition to approval by the FGH Shareholders at the Meeting, the Arrangement must be approved by the Court. The Court will be asked to make an order approving the Arrangement and to determine that the Arrangement is fair and reasonable. FGH will apply to the Court for this order if FGH Shareholders approve the Arrangement Resolution at the Meeting.

The Arrangement is also subject to the requisite notice for the listing of the Consideration Shares on Nasdaq being delivered and certain other customary Closing conditions set out in the Arrangement Agreement and described in this Circular.

See below under the heading *"The Arrangement – Approvals Required for the Arrangement*" for more information.

Are there support agreements in place with any FGH shareholders?

Yes. All the directors and officers of FGH as well as certain other shareholders of FGH who, collectively, own, control or direct approximately 73.8% of the issued and outstanding FGH Shares, have entered into Voting Support Agreements pursuant to which each such individual has agreed to, among other things, support the Arrangement and vote all the FGH Shares beneficially owned by him or her in favour of the Arrangement Resolution, subject to the terms and conditions of such agreements.

See below under the heading "*Summary of Material Agreements – Voting Support Agreements*" for more information.

Have the FGH Board received a fairness opinion regarding the consideration to be received by FGH Shareholders?

Yes. The FGH Board received the Fairness Opinion from the Financial Advisor. The Fairness Opinion concludes that, as of the date of such opinion and based upon and subject to the assumptions, limitations and qualifications set out therein, the consideration to be received by FGH Shareholders pursuant to the Arrangement is fair, from a financial point of view to FGH Shareholders.

See below under the heading "*The Arrangement – Fairness Opinion*" for more information.

When will the Arrangement become effective?

If the Arrangement Resolution is passed, the Final Order is obtained, every other requirement of the BCBCA relating to the Arrangement is complied with and all other conditions disclosed in the Arrangement Agreement are satisfied or waived, the Arrangement will become effective on the Effective Date, which is expected to occur on or prior to December 31, 2022.

See below under the heading "*The Arrangement – Description of the Arrangement – Summary of Key Procedural Steps for the Arrangement to Become Effective*" for more information.

What are the Canadian federal income tax consequences of the Arrangement to FGH Shareholders?

The exchange of FGH Shares for Flora Shares pursuant to the Arrangement will generally occur on a tax-deferred basis for Canadian federal income tax purposes. For a summary of certain of the material Canadian federal income tax consequences of the Arrangement applicable to FGH Shareholders who are subject to Canadian taxation, see below under the heading "*Certain Canadian Federal Income Tax Considerations*". Such summary is not intended to be legal or tax advice. FGH Shareholders should consult their own tax advisors as to the tax consequences of the Arrangement to them with respect to their particular circumstances.

What will happen to FGH if the Arrangement is completed?

If the Arrangement is completed, Flora Growth will acquire all of the issued and outstanding FGH Shares and FGH will become a wholly-owned subsidiary of Flora Growth. In connection with the completion of the Arrangement, it is expected that the FGH Shares will be de-listed from the TSXV and FGH will make an application to cease to be a reporting issuer under applicable Securities Laws.

See below under the heading "*The Arrangement – Description of the Arrangement*" for more information.

Are the Flora Shares listed on any stock exchange?

Yes. Flora Shares currently trade under the symbol "FLGC" on Nasdaq. It is a mutual condition of Closing that the necessary conditional approvals or equivalent approvals, as the case may be, for the listing of the Consideration Shares on Nasdaq, be obtained.

See below under the headings "*Information Concerning Flora Growth*" and "*The Arrangement – Stock Exchange Listing for Consideration Shares*" for more information.

Are FGH Shareholders entitled to Dissent Rights?

Yes. Under the Interim Order, registered holders of FGH Shares are entitled to Dissent Rights, but only if they follow the procedures specified in the BCBCA, as modified by the Plan of Arrangement, the Interim Order or other order of the Court. **If you wish to exercise Dissent Rights, you should review the requirements summarized in this Circular carefully and consult with your legal advisor.**

See below under the heading "*The Arrangement – Dissent Rights for FGH Shareholders*" for more information.

What will happen if the Arrangement Resolution is not approved, or the Arrangement is not completed for any reason?

If the Arrangement Resolution is not approved or the Arrangement is not completed for any reason, the Arrangement Agreement may be terminated by one or both of the Parties. In certain circumstances, including if the Arrangement Agreement is terminated due to a breach of representation or warranty by FGH or FGH's failure to perform a covenant, FGH will be required to reimburse Flora Growth for the reasonable and documented

expenses actually incurred by Flora Growth in respect of the Arrangement and the Arrangement Agreement up to a maximum amount of $300,000. In certain circumstances, including (among other things) if the FGH Board authorizes FGH to enter into an agreement, understanding or arrangement in respect of a Superior Proposal, FGH will be required to pay to Flora Growth a termination fee of $1,000,000 in connection with such termination.

See below under the heading "*Summary of Material Agreements – The Arrangement Agreement – Termination*" for more information.

Should I send in the share certificate(s) or DRS Statement representing my FGH Shares now?

We encourage registered FGH Shareholders to complete, sign, date and return the Letter of Transmittal, together with their share certificate(s) or DRS Statement, if any, prior to the Effective Date which will assist in arranging for the prompt exchange of your FGH Shares for Flora Shares upon completion of the Arrangement. The Effective Date is expected to occur on or prior to December 31, 2022. You are not required to send in the share certificate(s) or DRS Statement representing your FGH Shares, if any, to validly cast your vote in respect of the Arrangement.

See below under the heading "*The Arrangement – Procedure for Exchange of FGH Shares*" for more information.

When can I expect to receive the consideration for my FGH Shares?

You will receive the Consideration Shares as soon as practicable after the Arrangement becomes effective and your properly completed Letter of Transmittal and share certificate(s) or DRS Statement representing your FGH Shares, if any, are received by the Depositary.

See below under the heading "*The Arrangement – Procedure for Exchange of the FGH Shares*" for more information.

What happens if I send in the share certificate(s) or DRS Statement representing my FGH Shares and the Arrangement Resolution is not approved or the Arrangement is not completed?

If the Arrangement Resolution is not approved or if the Arrangement is not otherwise completed, share certificate(s) or DRS Statement representing your FGH Shares, if any and to the extent deposited with the Depositary, will be returned promptly to you by the Depositary.

See below under the heading "*The Arrangement – Procedure for Exchange of the FGH Shares*" for more information.

Whom should I contact if I have any questions?

If you have any questions or need assistance completing your form of proxy or voting instruction form, please contact TSX Trust by telephone toll free within North America at 1 (866) 600-5869 (+1 (416) 342-1091 for calls outside North America) or by email at tsxtis@tmx.com.

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SUMMARY

The following is a summary of certain information contained in this Circular. This summary is not intended to be complete and is qualified in its entirety by the more detailed information and financial statements, including the notes thereto, contained elsewhere in this Circular and the attached appendices and in the documents incorporated herein by reference, all of which are important and should be reviewed carefully. Capitalized terms used in this summary without definition have the meanings given to them in the "Glossary of Terms" in this Circular.

The Meeting

FGH is convening and conducting the Meeting at the offices of Gowling WLG (Canada) LLP at 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario, M5X 1G5, on December 13, 2022 at 10:00 a.m. (Toronto time).

Record Date

Only FGH Shareholders of record on the Record Date, being November 9, will be entitled to receive notice of and to vote at the Meeting, or any adjournment or postponement thereof.

Purpose of Meeting

At the Meeting, FGH Shareholders will be asked to consider, pursuant to the interim order of the Supreme Court of British Columbia rendered November 14, 2022 and, if deemed advisable, to pass, the Arrangement Resolution approving the Arrangement. The full text of the Arrangement Resolution is set out in Appendix "A" to this Circular. In order to become effective, the Arrangement Resolution will require the affirmative vote of (i) at least two-thirds of the votes cast by the FGH Shareholders present in person or represented by proxy at the Meeting; and (ii) a simple majority of the votes cast on such resolution by the FGH Shareholders (other than the votes of FGH Shareholders who are required to be excluded in accordance with MI 61-101) present in person or represented by proxy at the Meeting. See "*The Arrangement – Approvals Required for the Arrangement – FGH Shareholder Approval*".

The Arrangement

The Arrangement will be implemented by way of a court-approved statutory plan of arrangement under the BCBCA on and subject to the terms of the Arrangement Agreement. Pursuant to the Arrangement, Flora Growth will acquire all of the issued and outstanding FGH Shares, subject to the terms and conditions set forth in the Arrangement Agreement and the Plan of Arrangement. As of the Record Date, there were 134,563,674 FGH Shares outstanding. As consideration under the Arrangement, Flora Growth will issue between 36,515,060 and 43,525,951 Flora Shares, such that FGH Shareholders (other than Dissenting Shareholders) will receive between approximately 0.2441 of a Flora Share and 0.3235 of a Flora Share for each FGH Share held (depending on the number of FGH Shares outstanding on the closing date of the Arrangement and Flora Growth's 20-day volume-weighted average price as of market close on the third business day prior to the Closing Date, in each case as determined in accordance with the Plan of Arrangement) for each FGH Share held.

FGH Shareholders should understand that, pursuant to the Plan of Arrangement, until the date that is 90 calendar days following the Effective Date, the Consideration Shares issued by Flora Growth to former FGH Shareholders in connection with the Arrangement may not be transferred without the consent of Flora Growth, except in certain limited circumstances.

Based solely on the respective number of issued and outstanding Flora Shares and the VWAP of the Flora Shares on the date of the Arrangement Agreement, immediately following completion of the Arrangement, former FGH Shareholders immediately prior to the Effective Time are anticipated to collectively own between approximately 32% and 36% of the Flora Shares issued and outstanding immediately after the Effective Time (assuming that no

Dissent Rights are exercised, and subject to dilution that may occur pursuant to permitted share issuances by Flora Growth as provided for in the Arrangement Agreement). Upon completion of the Arrangement, FGH will become a wholly-owned Subsidiary of Flora Growth.

See "*The Arrangement – Description of the Arrangement – Effect of the Arrangement on Holders of FGH Shares*" and "*The Arrangement – Issuance and Resale of Securities Issued to FGH Shareholders as Consideration Under the Arrangement – 90-Day Transfer Restriction*" for more information.

Pursuant to the Plan of Arrangement and the terms of the FGH Stock Option Plan, the FGH Board shall, prior to the Effective Time: (i) approve the acceleration of the vesting of all outstanding FGH Options, subject to receipt of requisite regulatory approval (if any), and upon such approval each FGH Option shall be deemed to be vested and exercisable prior to the Effective Time; and (ii) approve, conditional upon completion of the Arrangement, the termination and cancellation of all FGH Options that have not been exercised prior to the Effective Time without payment of any consideration to the holders of such terminated and canceled FGH Options. The FGH Stock Option Plan and all agreements relating to FGH Options shall be terminated and of no further force or effect and neither FGH nor Flora Growth shall have any liability or obligations with respect to the FGH Stock Option Plan or any agreements relating to FGH Options.

See "*The Arrangement – Description of the Arrangement – Effect of the Arrangement on Holders of FGH Options*".

Pursuant to the Plan of Arrangement and in accordance with the terms of the Agent Compensation Options, each holder of an Agent Compensation Option outstanding immediately prior to the Effective Time shall receive upon the subsequent exercise of such holder's Agent Compensation Option, in accordance with its terms and for the same aggregate consideration therefor, and shall accept in lieu of each FGH Share to which such holder was theretofore entitled upon such exercise, the Consideration.

See "*The Arrangement – Description of the Arrangement – Effect of the Arrangement on Holders of Agent Compensation Options*".

Pursuant to the Plan of Arrangement, each FGH RSU that is outstanding immediately prior to the Effective Time (whether vested or unvested) shall immediately vest and the Company shall allow and issue to each holder of a FGH RSU such number of FGH Shares (provided that no share certificates shall be issued with respect to such shares as are due to such holder) under the terms of the FGH RSU Plan and thereafter the FGH RSU Plan will terminate and none of the former holders of FGH RSUs, the Company, Flora Growth or any of their respective successors or assigns shall have any rights, liabilities or obligations in respect of the FGH RSU Plan.

FGH Shares received upon settlement of the FGH RSUs will be subject to the Plan of Arrangement in the same manner as that which applies to holders of FGH Shares summarized above.

See "*The Arrangement – Description of the Arrangement – Effect of the Arrangement on Holders of FGH RSUs*".

Fairness Opinion of the Financial Advisor

In determining to approve the Arrangement, the FGH Board considered a number of factors described in this Circular, including the Fairness Opinion delivered by the Financial Advisor. The Fairness Opinion concludes that, as of the date of such opinion and based upon and subject to the assumptions, limitations and qualifications set out therein, the consideration to be received by FGH Shareholders pursuant to the Arrangement is fair, from a financial point of view, to FGH Shareholders. The Fairness Opinion is attached as Appendix "E" to this Circular. FGH Shareholders are encouraged to read the Fairness Opinion in its entirety. See "*The Arrangement – Fairness Opinion*".

The Financial Advisor has provided the Fairness Opinion for the information and assistance of the FGH Board in connection with its consideration and evaluation of the Arrangement. The Fairness Opinion is not a recommendation to the FGH Board or any FGH Shareholder as to whether FGH Shareholders should vote in favour of the Arrangement or any other matter.

Recommendation of the FGH Board

After careful consideration of the terms of the Arrangement, including consultation with its legal and financial advisors, the receipt of the Fairness Opinion and the other factors set out below under the heading "*The Arrangement – Recommendation of the FGH Board – Reasons for the Recommendation of the FGH Board*", the FGH Board:

(1) Unanimously determined that the Arrangement is in the best interests of FGH and is fair to the FGH Shareholders

(2) Unanimously approved the Arrangement and the entering into of the Arrangement Agreement; and

(3) Unanimously recommends that FGH Shareholders **VOTE FOR** the Arrangement Resolution.

Further, each director and executive officer of FGH that owns FGH shares intends to cast the votes attached to all such FGH Shares (including any FGH Shares issuable upon the exercise, vesting and settlement, as the case may be, of any FGH RSUs or FGH Options) in favour of the Arrangement Resolution.

Reasons for the Recommendations of the FGH Board

In the course of its evaluation of the Arrangement, the FGH Board considered a number of factors, including those listed below, with the benefit of advice from its financial advisors and FGH's legal counsel.

The following is a summary of the principal reasons for the unanimous recommendation of the FGH Board that FGH Shareholders **VOTE FOR** the Arrangement Resolution:

Continued Growth. The Arrangement will provide FGH Shareholders with between approximately 32% and 36% ownership of a rapidly growing diversified business upon completion of the Arrangement, which includes Flora Growth's cannabis cultivation facilities as well as Flora Growth's manufacturing and processing capabilities and consumer packaged goods business.

Synergies and Cost Savings. The combination of Flora Growth with FGH is expected to deliver at least US$3 million of annual cost synergies within the first year following the completion of the Arrangement, primarily in the areas of reduced corporate administrative expenses.

Prospects as an Independent Entity. The FGH Board assessed current industry, economic and market conditions and trends, and expectations of the future prospects in the cannabis industry, as well as information concerning the business, operations, assets, financial performance and condition, operating results and prospects of FGH, including the strategic direction of FGH as an independent entity and its future financial and liquidity requirements (particularly in light of a desire to avoid dilutive financings).

Enhanced Access to Capital and Capital Markets Profile. The combined entity will be a Nasdaq-listed issuer, with greater access to equity and debt capital markets with attractive liquidity and investor support.

Support of Directors and Executive Officers. All of the directors and executive officers of FGH have entered into the Voting Support Agreements with Flora Growth pursuant to which they have agreed, among other things, to support the Arrangement and to vote their FGH Shares in favour of the Arrangement.

Fairness Opinion. The FGH Board has received a fairness opinion from the Financial Advisor to the effect that, as of the date of such opinion and based upon and subject to the assumptions, limitations and qualifications set out therein, the consideration to be received by FGH Shareholders pursuant to the Arrangement is fair, from a financial point of view, to FGH Shareholders. See "*The Arrangement – Fairness Opinion*".

Tax-Deferred Transaction. The exchange of FGH Shares for Flora Shares pursuant to the Arrangement will generally occur on a tax-deferred basis for Canadian federal income tax purposes. For a summary of certain Canadian federal income tax consequences of the Arrangement for FGH Shareholders who are subject to Canadian taxation, see the discussion under "*Certain Canadian Federal Income Tax Considerations*". Such summary is not intended to be legal or tax advice. FGH Shareholders should consult their own tax advisors as to the tax consequences of the Arrangement to them with respect to their particular circumstances.

The FGH Board also considered the risks relating to the Arrangement, including those matters described under the heading "*Risk Factors*". The FGH Board believes that, overall, the anticipated benefits of the Arrangement to FGH outweigh these risks.

In making its determinations and recommendations, the FGH Board also observed that a number of procedural safeguards were in place and are present to permit the FGH Board to represent the interests of FGH, the FGH Shareholders and FGH's other stakeholders. These procedural safeguards include, among others:

Arm's Length Negotiation Process. The Arrangement is the result of a comprehensive arm's length negotiation process with Flora Growth that was undertaken by the FGH Board with the assistance of FGH's management as well as FGH's financial and legal advisors.

Ability to Respond to Superior Proposals. Notwithstanding the limitations contained in the Arrangement Agreement on FGH's ability to solicit interest from third parties, the Arrangement Agreement allows FGH to engage in discussions or negotiations regarding any unsolicited Acquisition Proposal received prior to the approval of the Arrangement Resolution by FGH Shareholders and after the FGH Board first determines in good faith, after consultation with its financial advisors and outside legal counsel, that such Acquisition Proposal constitutes, or could reasonably be expected to constitute or lead to a Superior Proposal. Subject to Flora Growth's right to match, FGH is also permitted to change its recommendation, terminate the Arrangement Agreement and enter into an agreement with respect to a Superior Proposal if, among other things, FGH pays the Termination Amount to Flora Growth. See "*Summary of Material Agreements – The Arrangement Agreement – FGH Covenants Regarding Non-Solicitation*".

Reasonable Termination Payment. The FGH Board believes that the $1,000,000 termination fee, which is payable by FGH in certain circumstances described under "*Summary of Material Agreements – The Arrangement Agreement –Termination Payment*" is reasonable. In the view of the FGH Board, the termination fee would not preclude a third party from potentially making a Superior Proposal.

Shareholder Approvals. In order to proceed, the Arrangement Resolution must be approved by: (i) not less than two-thirds (66 2/3%) of the votes cast by FGH Shareholders, present in person or represented by proxy at the Meeting; and (ii) a simple majority (greater than 50%) of the votes cast by FGH Shareholders, present in person or represented by proxy at the Meeting, after excluding the votes cast by persons whose votes are required to be excluded in determining minority approval in accordance with MI 61-101. See "*The Arrangement – Approvals Required for the Arrangement – FGH Shareholder Approval*".

Court Approval. The Arrangement must be approved by the Court, which will consider, among other things, the substantive and procedural fairness and the rights and interests of every person affected.

Dissent Rights. Dissent Rights are available to registered FGH Shareholders with respect to the Arrangement. See "*The Arrangement – Dissent Rights for FGH Shareholders*".

See "*The Arrangement – Recommendation of the FGH Board – Reasons for the Recommendation of the FGH Board*".

The Arrangement Agreement

The Arrangement will be implemented by way of a court-approved plan of arrangement under the BCBCA pursuant to the terms of the Arrangement Agreement entered into between FGH and Flora Growth on October 21, 2022. The Arrangement Agreement contains representations, warranties and covenants of and from each of FGH and Flora Growth. The Arrangement Agreement also provides that, upon the occurrence of certain termination events, FGH may be required to pay Flora Growth the Termination Amount and/or the Expense Reimbursement Amount.

The body of this Circular contains a summary of certain terms of the Arrangement Agreement. The summary is qualified in its entirety by the full text of the Arrangement Agreement, which has been filed under the issuer profile of FGH on SEDAR at www.sedar.com. See "*Summary of Material Agreements – The Arrangement Agreement*".

Voting Support Agreements

Concurrently with the execution and delivery of the Arrangement Agreement, FGH delivered to Flora Growth duly executed Voting Support Agreements from each director and executive officer of the Company. Subsequently, additional FGH Shareholders entered into Voting Support Agreements who, together with the directors and executive officers, collectively, own, control or direct approximately 73.8% of the issued and outstanding FGH Shares. Subject to the terms and conditions of the Voting Support Agreements, each FGH Shareholder party to a Voting Support Agreement has agreed to, among other things, support the Arrangement and vote his or her FGH Shares in favour of the Arrangement Resolution.

See "*Summary of Material Agreements – Voting Support Agreements*".

Procedure for the Arrangement to Become Effective

The Arrangement is proposed to be carried out pursuant to a court-approved statutory plan of arrangement in accordance with Part 9, Division 5 of the BCBCA. The following procedural steps must be taken in order for the Arrangement to become effective:

(a) the Arrangement Resolution must be approved by the FGH Shareholders in the manner set forth in the Interim Order and applicable Laws, except where applicable Laws have been modified by the Interim Order and any other orders of the Court; and

(b) the Court must grant the Final Order approving the Arrangement.

In addition, the Arrangement will only become effective if all other conditions precedent to the Arrangement set forth in the Arrangement Agreement have been satisfied or waived by the appropriate party. For a description of other conditions precedent, see "*Summary of Material Agreements – The Arrangement Agreement – Conditions to Arrangement Becoming Effective*".

There is no assurance that the conditions set forth in the Arrangement Agreement will be satisfied or waived on a timely basis, or at all, or that the Court will grant the Final Order approving the Arrangement.

FGH Shareholder Approval

Pursuant to the terms of the Interim Order, the Arrangement Resolution must, subject to further Court order, be approved by:

(a) not less than two-thirds (66 2/3%) of the votes cast by FGH Shareholders present in person or represented by proxy at the Meeting; and

(b) a simple majority (greater than 50%) of the votes cast by FGH Shareholders present in person or represented by proxy at the Meeting, other than those votes of which are required to be excluded from the "minority approval" vote in accordance with MI 61-101.

It is a condition to the completion of the Arrangement that the Arrangement Resolution be approved at the Meeting, as described above.

Court Approval

On November 14, 2022, FGH obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. A copy of the Interim Order and the Notice of Petition are attached to this Circular as Appendices D and E, respectively.

Subject to the terms of the Arrangement Agreement, and if the Arrangement Resolution is approved by FGH Shareholders at the Meeting in the manner required by the Interim Order, FGH intends to make an application to the Court for the Final Order.

The application for the Final Order approving the Arrangement is currently scheduled for 9:45 a.m. (Vancouver time) on December 16, 2022, or as soon thereafter as counsel may be heard or at such other date and time as the FGH Board may advise at the Courthouse, 800 Smithe Street, Vancouver, British Columbia, or as the Court may direct. Any FGH securityholders or any other interested party who wishes to appear or be represented and/or to present evidence or arguments at the hearing of the application for the Final Order must file and serve a response to petition no later than 4:00 p.m. (Vancouver time) on December 14, 2022 along with any other documents required, all as set out in the Interim Order and the Notice of Petition, the text of which are set out in Appendices D and E, respectively, to this Circular, and satisfy any other requirements of the Court. Such persons should consult with their legal advisors as to the necessary requirements. In the event that the hearing is adjourned, then, subject to further order of the Court, only those persons having previously filed and served a response to petition will be given notice of the adjournment.

The Court has broad discretion under the BCBCA when making orders with respect to the Arrangement. The Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, on the terms presented or substantially on those terms. Depending upon the nature of any required amendments, FGH or Flora Growth may decide not to proceed with the Arrangement.

See "*The Arrangement – Approvals Required for the Arrangement – Court Approval*".

Conditions Precedent

The implementation of the Arrangement is subject to a number of customary conditions being satisfied or waived by one or both of FGH and Flora Growth at or prior to the Effective Time. See "*Summary of Material Agreements – The Arrangement Agreement – Conditions to Arrangement Becoming Effective*". There is no assurance that conditions to the completion of the Arrangement will be satisfied or waived on a timely basis, or at all.

Effective Date

If the Arrangement Resolution is passed, the Final Order of the Court is obtained approving the Arrangement, every requirement of the BCBCA relating to the Arrangement has been complied with and all other conditions are met or waived, the Arrangement will become effective at the Effective Time on the Effective Date. It is currently expected that the Effective Date will be on or before December 31, 2022.

The Parties

FGH

FGH, through its Subsidiaries, is a multi-national operator in the medical cannabis and pharmaceutical industries, with principal operations in Germany and with operations, assets, strategic partnerships and investments internationally. The Company's business objective is to develop a fully-integrated, leading European medical cannabis business, with the goal of providing high-quality pharmaceutical grade medical cannabis to distribution partners and, ultimately, to patients, at competitive prices.

The Company's head office is located at 550 Burrard Street, Suite 2300, Vancouver, BC V6C 2B5 and its registered office is located at 2900 – 550 Burrard Street, Vancouver, BC V6C 0A3.

Flora Growth

Flora Growth's mission is to build a design-led collective of plant-based wellness and lifestyle brands that delivers the most compelling customer experiences in the world, one community at a time. Flora Growth is an outdoor cultivator and manufacturer of global cannabis products and brands, building a connected, design-led collective of plant-based wellness and lifestyle brands. As the operator of an extensive outdoor cannabis cultivation facility, Flora Growth leverages natural, cost-effective cultivation practices to supply cannabis derivatives to its diverse business units.

Flora Growth's registered office and mailing address is 365 Bay Street, Suite 800, Toronto, Ontario, M5H 2V1. Flora Growth's principal place of business in the United States is located at 3406 SW 26th Terrace, Suite C-1, Fort Lauderdale, Florida 33312.

Procedure for Exchange of FGH Shares

Enclosed with this Circular is the Letter of Transmittal which, when properly completed and duly executed and returned to the Depositary together with the share certificate(s) or DRS Statement(s) representing FGH Shares and all other required documents, will enable each registered FGH Shareholder to obtain the Flora Shares to which such FGH Shareholder is ultimately entitled under the Arrangement. See "*The Arrangement – Procedure for Exchange of FGH Shares*".

Fractional Shares

No fractional Flora Shares are issuable pursuant to the Plan of Arrangement. Where the aggregate number of Consideration Shares to be issued to a FGH Shareholder would otherwise result in a fraction of a Consideration Share being issuable, the number of Consideration Shares to be received by such FGH Shareholder will be rounded down to the closest whole number and such fraction shall be disregarded and canceled without any additional consideration payable to the FGH Shareholder.

See "*The Arrangement – Fractional Shares*".

Lost Certificates

In the event that any certificate which immediately prior to the Effective Time represented one or more outstanding FGH Shares that were transferred to Flora Growth pursuant to the Plan of Arrangement will have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the former holder of FGH Shares claiming such certificate, letter or other instrument to be lost, stolen or destroyed, the Depositary shall, in exchange for such lost, stolen or destroyed certificate, deliver to such former holder of FGH Shares the Consideration which such holder is entitled to receive pursuant to the Arrangement, net of amounts required to be withheld (if any) pursuant to withholding rights described in the Plan of Arrangement. When authorizing such payment in relation to any lost, stolen or destroyed certificate, the former holder of FGH Shares shall, as a condition precedent to the delivery thereof, give a surety bond satisfactory to each of Flora Growth and the Depositary (acting reasonably) in such sum as Flora Growth may direct or otherwise indemnify Flora Growth, FGH and the Depositary in a manner satisfactory to Flora Growth, FGH and the Depositary (acting reasonably) against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

See "*The Arrangement – Lost Certificates*".

Dissent Rights for FGH Shareholders

Only registered holders of FGH Shares may dissent. Persons who are beneficial holders of FGH Shares who wish to dissent should be aware that only the registered owner is entitled to exercise Dissent Rights. A registered holder, such as a broker, who holds FGH Shares as nominee for beneficial shareholders of FGH Shares, some of whom wish to dissent, must exercise Dissent Rights on behalf of such for beneficial shareholders of FGH Shares with respect to the FGH Shares held for such beneficial holders of FGH Shares. In such case, the demand for dissent should set forth the number of FGH Shares covered by it. Registered holders of FGH Shares may exercise rights of dissent with respect to such FGH Shares pursuant to and in the manner set forth in sections 237 to 247 of the BCBCA, as modified or supplemented by the Interim Order and Plan of Arrangement. Registered holders of FGH Shares who duly exercise such rights of dissent and who:

(a) are ultimately entitled to be paid fair value for their FGH Shares shall be entitled to be paid by Flora Growth such fair value as determined as at the close of business on the day prior to the approval of the Arrangement Resolution by FGH Shareholders; or

(b) are ultimately not entitled, for any reason, to be paid fair value for their FGH Shares, shall be deemed to have participated in the Arrangement on the same basis as a FGH Shareholder who has not exercised Dissent Rights,

but in no case shall FGH, Flora Growth or any other person be required to recognize a Dissenting Shareholder as a registered or beneficial holder of FGH Shares or having any interest therein after the Effective Time, and the names of such FGH Shareholders shall be deleted from the central securities register of FGH as at the Effective Time. There can be no assurance that a FGH Shareholder validly exercising Dissent Rights will receive consideration for its FGH Shares of equal or greater value to the consideration that such FGH Shareholder would have received on completion of the Arrangement.

Sections 237 to 247 of the BCBCA, as modified or supplemented by the Interim Order and Plan of Arrangement, provide that a FGH Shareholder who dissents to the Arrangement may exercise a right of dissent and require Flora Growth to purchase the applicable FGH Shares held by such FGH Shareholder at the fair value of such FGH Shares. The exercise of Dissent Rights does not deprive a registered holder of FGH Shares of the right to vote at the Meeting. However, a FGH Shareholder is not entitled to exercise Dissent Rights in respect of the Arrangement Resolution if such holder votes any of the FGH Shares beneficially held by such holder in favour of the Arrangement Resolution.

Registered holders of FGH Shares who wish to exercise their Dissent Rights must: (i) deliver a written notice of dissent to the Arrangement Resolution to the Company, by mail to: FGH c/o Gowling WLG (Canada) LLP, 550 Burrard St., Suite 2300, Vancouver, BC V6C 2B5, Attention: Jonathan B. Ross, by 10:00 a.m. (Vancouver time) on the date that is two Business Days immediately preceding the date of the Meeting or the date on which the adjourned or postponed Meeting is reconvened or convened, as applicable; (ii) not have voted in favour of the Arrangement Resolution; and (iii) otherwise have complied with the procedures set forth in Section 237-247 of the BCBCA, as modified and supplemented by the Interim Order and the Plan of Arrangement.

A beneficial holder of FGH Shares who wishes that Dissent Rights be exercised in respect of its FGH Shares should immediately contact its intermediary with whom the beneficial holder of FGH Shares deals.

A vote against the Arrangement Resolution or not voting on the Arrangement Resolution does not constitute a written objection for purposes of the notice of dissent under Section 242 of the BCBCA.

If FGH intends to act on the authority of the Arrangement Resolution, it must send a Notice to Proceed to the FGH Shareholder validly exercising its Dissent Rights promptly after the later of the date on which FGH forms the intention to proceed and the date the notice of dissent was received. If FGH has acted on the Arrangement Resolution, it must promptly send a Notice to Proceed to each such FGH Shareholder. The Notice to Proceed will set out the manner in which the dissent is to be completed. A FGH Shareholder who receives a Notice to Proceed, and who wishes to proceed with the dissent, must, within one month after the date of the Notice to Proceed, send a written statement to FGH requiring Flora Growth to purchase the FGH Shareholder's FGH Shares, the certificates representing the FGH Shares, if applicable, and any other applicable information required by Section 244 of the BCBCA.

Flora Growth and the Dissenting Shareholder may agree on the amount of the payout value of the FGH Shares. If Flora Growth and the Dissenting Shareholder do not agree on the amount of the payout value of the FGH Shares, the Dissenting Shareholder or Flora Growth may apply to a court of competent jurisdiction and the court may determine the payout value. On agreement or determination of the payout value, Flora Growth must either promptly pay that amount to the Dissenting Shareholder or send a notice to the Dissenting Shareholder that Flora Growth is unable lawfully to pay the Dissenting Shareholders exercising their Dissent Rights for their FGH Shares as Flora Growth is insolvent or the payment would render Flora Growth insolvent. If the Dissenting Shareholder receives a notice that Flora Growth is unable to lawfully pay Dissenting Shareholders for their FGH Shares, the Dissenting Shareholder may, within 30 days after receipt, withdraw his, her or its notice of dissent. If the notice of dissent is not withdrawn, the Dissenting Shareholder remains a claimant against Flora Growth to be paid as soon as Flora Growth is lawfully able to do so.

See "*The Arrangement – Dissent Rights for FGH Shareholders*".

Stock Exchange Listing for Flora Shares Issued Under the Arrangement

Flora Shares are currently listed on Nasdaq under the symbol "FLGC" and trade in United States dollars. It is a mutual condition of Closing that the necessary conditional approvals or equivalent approvals, as the case may be, for listing the Consideration Shares on Nasdaq, be obtained.

Certain Canadian Federal Income Tax Considerations of the Arrangement

For a summary of certain of the material Canadian federal income tax consequences of the Arrangement applicable to FGH Shareholders who are subject to Canadian taxation, see "*Certain Canadian Federal Income Tax Considerations*". Such summary is not intended to be legal or tax advice. FGH Shareholders should consult their own tax advisors as to the tax consequences of the Arrangement to them with respect to their particular circumstances.

Risk Factors

FGH Shareholders who vote in favour of the Arrangement Resolution are voting in favour of combining the businesses of FGH and Flora Growth. Accordingly, FGH Shareholders are making an investment decision with respect to Flora Growth Shares. There are certain risks which should be carefully considered by FGH Shareholders, as applicable, in connection with such decisions, including risks associated with the completion of the Arrangement. Some of these risks include that the Arrangement Agreement may be terminated in certain circumstances, in which case the market price for FGH Shares or Flora Shares may be adversely affected. In addition, the completion of the Arrangement is subject to a number of conditions precedent, some of which are outside the control of FGH and Flora Growth. See "*Risk Factors*", "*Summary of Material Agreements – The Arrangement Agreement – Conditions to Arrangement Becoming Effective*" and "*Information Concerning Flora Growth*".

Canadian Securities Law Matters

The distribution of Flora Shares pursuant to the Arrangement will constitute a distribution of securities which is exempt from the prospectus requirements of applicable Canadian Securities Laws and is exempt from or otherwise not subject to the registration requirements under applicable U.S. Securities Laws. The Flora Shares received by FGH Shareholders pursuant to the Arrangement will not carry a statutory legend and may be resold through registered dealers in each of the provinces of Canada, provided that (a) the trade is not a "control distribution" as defined NI 45-102; (b) no unusual effort is made to prepare the market or to create a demand for Flora Shares; (c) no extraordinary commission or consideration is paid to a Person in respect of such sale; and (d) if the selling securityholder is an insider or officer of Flora Growth, the selling securityholder has no reasonable grounds to believe that Flora Growth is in default of applicable Securities Laws. Notwithstanding that the Flora Shares received by FGH Shareholders pursuant to the Arrangement will not carry a statutory legend, the Flora Shares will carry the Restricted Legend in respect of the Transfer Restrictions and Exceptions.

See "*The Arrangement – Issuance and Resale of Securities Issued to FGH Shareholders as Consideration Under the Arrangement – Canada*" and "*The Arrangement – Issuance and Resale of Securities Issued to FGH Shareholders as Consideration Under the Arrangement – 90-Day Transfer Restriction*".

United States Securities Law Matters

The offer and sale of Flora Shares to be received by FGH Shareholders in exchange for their FGH Shares pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act or the Securities Laws of any state of the United States and will be issued in reliance upon the Section 3(a)(10) Exemption and exemptions provided under the Securities Laws of each state of the United States in which FGH Shareholders reside, described above as "state blue-sky laws". The Section 3(a)(10) Exemption exempts the issuance of any securities issued in exchange for one or more *bona fide* outstanding securities from the general requirement of registration under the U.S. Securities Act where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the procedural and substantive fairness of the terms and conditions of such issuance and exchange at which all persons to whom it is proposed to issue the securities have the right to appear and receive timely and adequate notice thereof.

The Flora Shares to be received by FGH Shareholders in exchange for their FGH Shares pursuant to the Arrangement will be freely transferable under U.S. federal Securities Laws, except by persons who are "affiliates" of Flora Growth after the Effective Date, or were "affiliates" of Flora Growth within 90 days prior to the Effective Date. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract, or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer.

Any resale of Flora Shares by such an affiliate (or, if applicable, former affiliate) will be subject to the registration requirements of the U.S. Securities Act, absent an exemption therefrom. Subject to certain limitations, such affiliates (and former affiliates) may immediately resell such Flora Shares outside the United States without registration under the U.S. Securities Act pursuant to Regulation S. In addition, such affiliates (and former affiliates) may also resell Flora Shares pursuant to Rule 144, if available. Similar provisions may apply to affiliate resales under applicable state blue-sky Laws.

In general, pursuant to Rule 144, persons who are "affiliates" of Flora Growth after the Effective Date, or were "affiliates" of Flora Growth within 90 days prior to the Effective Date, will be entitled to sell in the United States those Flora Shares that they receive pursuant to the Arrangement, provided that, during any three-month period, the number of such securities sold does not exceed the greater of one percent of the then outstanding securities of such class or, if such securities are listed on a United States securities exchange and/or reported through the automated quotation system of a U.S. registered securities association, the average weekly trading volume of such securities during the four calendar week period preceding the date of sale, subject to specified restrictions on manner of sale requirements, aggregation rules, notice filing requirements and the availability of current public information about the issuer required under Rule 144. Persons who are "affiliates" of Flora Growth after the Effective Date or who were "affiliates" of Flora Growth during such period should consult with their respective securities counsel before engaging in offers or sales of Flora Shares issued pursuant to the Arrangement.

In general, pursuant to Regulation S, if at the Effective Date Flora Growth is a "foreign private issuer" (as defined in Rule 3b-4 under the U.S. Exchange Act), persons who are "affiliates" of Flora Growth after the Effective Date, or were "affiliates" of Flora Growth within 90 days prior to the Effective Date, solely by virtue of their status as an officer or director of Flora Growth, may sell their Flora Shares outside the United States in an "offshore transaction" if none of the seller, an affiliate or any person acting on their behalf engages in "directed selling efforts" in the United States with respect to such securities and provided that no selling concession, fee or other remuneration is paid in connection with such sale other than the usual and customary broker's commission that would be received by a person executing such transaction as agent. For purposes of Regulation S, "directed selling efforts" means any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered. Also, for purposes of Regulation S, an offer or sale of securities is made in an "offshore transaction" if the offer is not made to a person in the United States and either (a) at the time the buy order is originated, the buyer is outside the United States, or the seller reasonably believes that the buyer is outside of the United States, or (b) the transaction is executed in, on or through the facilities of a "designated offshore securities market", and neither the seller nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States. Certain additional restrictions set forth in Rule 903 of Regulation S are applicable to sales outside the United States by a holder of Flora Shares who is an "affiliate" of Flora Growth after the Effective Date, or was an "affiliate" of Flora Growth within 90 days prior to the Effective Date, other than by virtue of his or her status as an officer or director of Flora Growth.

FGH Shareholders are urged to consult their own legal counsel before proceeding with any sale or transfer of Flora Shares post-closing.

See "*The Arrangement – Issuance and Resale of Securities Issued to FGH Shareholders as Consideration Under the Arrangement – United States Securities Law Considerations*".

90-Day Transfer Restriction on Consideration Shares

FGH Shareholders should understand that, pursuant to the Plan of Arrangement, until the date that is 90 calendar days following the Effective Date, the Consideration Shares issued by Flora Growth to former FGH Shareholders in connection with the Arrangement may not be transferred without the consent of Flora Growth, except that a former FGH Shareholder (or a permitted transferee thereof), in relation to the Flora Shares owned beneficially or of record by it, may: (a) mortgage or charge such Flora Shares as collateral for a loan; (b) exercise voting rights

attaching to such Flora Shares; (c) receive dividends or other distributions on such Flora Shares; (d) transfer, sell or tender such Flora Shares pursuant to a take-over bid (as defined in the Securities Act) or any similar transaction, including without limitation a merger, arrangement or amalgamation, involving a change of control of Flora; (e) transfer such Flora Shares to any nominee or custodian (including a trust) where there is no change in beneficial ownership (other than a change in beneficial ownership resulting from a transfer to a trust for the direct or indirect benefit of the immediate family members of the former FGH Shareholder (or a permitted transferee thereof); (f) effect such sales as may be required pursuant to the withholding rights in the Plan of Arrangement; or (g) where the former FGH Shareholder (or a permitted transferee thereof) is a corporate entity, a transfer to an affiliate or a shareholder of that former FGH Shareholder (or permitted transferee thereof); provided that any permitted transferee will be subject to the restrictions set out above.

See "*The Arrangement – Issuance and Resale of Securities Issued to FGH Shareholders as Consideration Under the Arrangement – 90-Day Transfer Restriction*".

Comparison of Rights under the OBCA and BCBCA

The rights of FGH Shareholders are currently governed by the BCBCA and by the Company's Constating Documents. If the Arrangement is completed, former FGH Shareholders will hold Flora Shares. Flora Growth is incorporated under, and governed by, the OBCA. Accordingly, the Consideration Shares will be governed by the OBCA and Flora Growth's by-laws and articles. The OBCA provides shareholders with substantially the same rights as are available to shareholders under the BCBCA, including rights of dissent and appraisal and rights to bring derivative actions and oppression actions. However, there are certain differences between the two statutes and the regulations promulgated thereunder. A comparison of certain of these rights is attached as Appendix "I" to this Circular. This summary is not intended to be exhaustive, and FGH Shareholders should consult their legal advisors regarding all of the implications of the effects of the Arrangement on the rights of such FGH Shareholders.

MANAGEMENT INFORMATION CIRCULAR

This Circular is furnished in connection with the solicitation of proxies by and on behalf of management of FGH for use at the Meeting. Management of FGH will solicit proxies primarily by mail, but proxies may also be solicited by telephone, email, facsimile or in writing by directors, officers, employees or agents of FGH, however FGH reserves the right to engage a proxy solicitor as it deems necessary to assist in the solicitation of proxies. The cost of solicitation of proxies for use at the Meeting (including customary fees and expenses of any proxy solicitor that FGH may retain) will be borne by FGH. If you have any questions about the Meeting, please contact TSX Trust by telephone toll free within North America at 1 (866) 600-5869 (+1 (416) 342-1091 for calls outside North America) or by email at tsxtis@tmx.com.

Except as otherwise stated, all capitalized terms used in this Circular but not otherwise defined herein have the meanings set forth under the heading "*Glossary of Terms*". Information contained in this Circular, including information in the appendices hereto, which form part of this Circular, is given as of November 14, 2022 unless otherwise specifically stated. Information contained in documents incorporated by reference in this Circular is given as of the respective dates stated in such documents.

The information concerning Flora Growth and its Subsidiaries contained in this Circular, including the appendices and information incorporated by reference, has been provided by Flora Growth for inclusion in this Circular. Although FGH has no knowledge that any statements contained herein taken from or based on such documents, records or information provided by Flora Growth are untrue or incomplete, FGH assumes no responsibility for the accuracy of the information contained in such documents, records or information or for any failure by Flora Growth to disclose events which may have occurred or may affect the significance or accuracy of any such information, but which are unknown to FGH.

This Circular does not constitute an offer to sell, or a solicitation of an offer to purchase the securities to be issued under or in connection with the Arrangement, or the solicitation of a proxy, in any jurisdiction, to or from any person to whom it is unlawful to make such offer, solicitation of an offer or proxy solicitation in such jurisdiction. Neither the delivery of this Circular nor any distribution of the securities to be issued under or in connection with the Arrangement will, under any circumstances, create any implication or be treated as a representation that there has been no change in the information set forth herein since the date of this Circular. No person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the Meeting other than those contained in this Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

All summaries of, and references to, the Arrangement Agreement, the Plan of Arrangement and the Arrangement in this Circular are qualified in their entirety by reference to the complete text of the Arrangement Agreement and the Plan of Arrangement, as applicable. Copies of the Arrangement Agreement (including the Plan of Arrangement) are available under the issuer profile of FGH on SEDAR at www.sedar.com. A copy of the Plan of Arrangement is attached to this Circular as Appendix "D". You are urged to carefully read the full text of the Arrangement Agreement and the Plan of Arrangement.

Information contained in this Circular should not be construed as legal, tax, financial or other professional advice. FGH Shareholders are urged to consult their own professional advisors in connection with the matters addressed herein.

NOTICE TO SECURITYHOLDERS IN THE UNITED STATES

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE DISCLOSURES IN THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

The following discussion is only a general overview of certain requirements of U.S. Securities Laws relating to the Arrangement that may be applicable to FGH securityholders. Each FGH securityholder is urged to consult such securityholder's professional advisors to determine the U.S. conditions and restrictions applicable to the Flora Growth securities issuable pursuant to the Arrangement.

Exemption from U.S. Registration

The Flora Shares expected to be issued under the Arrangement have not been and will not be registered under the U.S. Securities Act, or the U.S. Securities Laws. The Flora Shares are expected to be issued in reliance upon the exemption from registration provided by Section 3(a)(10) of the U.S. Securities Act (the "**Section 3(a)(10) Exemption**") and similar exemptions under applicable U.S. state securities laws on the basis of the approval of the Supreme Court of British Columbia (the "**Court**"), which will consider, among other things, the substantive and procedural fairness of the Arrangement to the FGH Shareholders.

See "*The Arrangement – Issuance and Resale of Securities Issued to FGH Shareholders as Consideration under the Arrangement – United States Securities Law Considerations*".

The Flora Shares to be received by FGH Shareholders in the Arrangement will not be subject to resale restrictions under, and will be freely tradable for purposes of the U.S. Securities Act, except for Flora Shares received by any FGH Shareholder who is an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of Flora Growth after completion of the Arrangement or within three months prior to the Effective Date (such as FGH directors or executive officers who become directors or executive officers of Flora Growth after the Arrangement). See "*The Arrangement – Issuance and Resale of Securities Issued to FGH Shareholders as Consideration Under the Arrangement – United States Securities Law Considerations*".

FGH Shareholders who are subject to United States taxation should be aware that the Arrangement described herein may have both United States and Canadian tax consequences to them which may not be fully described in this Circular. For a general discussion of certain Canadian federal income tax consequences to such FGH Shareholders, see "*Certain Canadian Federal Income Tax Considerations*". FGH Shareholders who are subject to United States taxation are urged to consult their own tax advisors with respect to the Canadian and United States federal, state and local income tax consequences to them and the applicability of any other federal, state, local, and foreign tax laws.

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Circular, the Appendices attached to this Circular and the materials incorporated by reference into this Circular contain certain forward-looking information and forward-looking statements, as defined in applicable Securities Laws (collectively referred to as "**forward-looking statements**").

All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are frequently characterized by words such as "will", "plan", "expect" or "does not expect", "project", "intend", "believe", "anticipate", "forecast", "schedule", "estimate" and similar expressions, or statements that certain events, actions, results or conditions "could", "may", "might", "will" or "would" occur, be taken or achieved. Forward-looking statements are not based on historical fact, but rather on current expectations and projections about future events, and are therefore subject to risks, uncertainties and other factors which could cause actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. FGH disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable Laws. The reader is cautioned not to place undue reliance on forward-looking statements.

Without limiting the generality of the foregoing, this Circular contains forward-looking statements pertaining to:

- the expectations regarding whether the Arrangement will be completed, the principal steps of the Arrangement, including whether the conditions to completion of the Arrangement will be satisfied, and the anticipated timing for the Effective Date, including the Outside Date;
- the perceived benefits of the Arrangement and expected attributes of Flora Growth following the completion of the Arrangement and the plans and strategies to achieve such benefits;
- the anticipated timing of the Meeting;
- the anticipated timing and contents of the Final Order;
- the ability to successfully integrate the business of FGH into Flora Growth;
- the expected operations and achievement of Flora Growth's business plans following the completion of the Arrangement;
- the effect of the Arrangement on Flora Growth's share capital, including the total issued and outstanding Flora Shares and anticipated percentages of Flora Shares that former FGH Shareholders will hold in Flora Growth;
- the anticipated liquidity of the Flora Shares;
- the potential issuance of additional FGH Shares by FGH prior to the Effective Time, and the effects of those issuances on the consideration to be received by FGH Shareholders in connection with the Arrangement;
- the potential issuance of additional Flora Shares by Flora prior to the Effective Time, and the effects of those issuances on the anticipated percentage ownership by FGH Shareholders of Flora Shares upon completion of the Arrangement;
- the anticipated tax treatment of the Arrangement for FGH Shareholders;
- the delisting of the FGH Shares from the TSXV and the anticipated timing thereof;
- the anticipated application by FGH to cease to be a reporting issuer and the anticipated timing thereof;
- the potential growth of Flora Growth;
- the impact of governmental regulation, administrative policy or tax assessment practices;
- stock market volatility and the volatility of the Flora Shares and the cannabis market generally;
- the Parties' ability to obtain the required approvals, including shareholder, stock exchange, Court, regulatory and third-party approvals for the Arrangement, and the timing of such approvals;
- the satisfaction of conditions for the listing of the Consideration Shares on Nasdaq;
- the expectations regarding receipt of required shareholder approvals of the Arrangement Resolution;
- competitive conditions in the cannabis industry, including market share of Flora Growth following the completion of the Arrangement;
- *pro forma* information, including *pro forma* financial information pertaining to Flora Growth after giving effect to the Arrangement;
- business plans, business prospects and performance, growth potential, financial strength, market profile, revenues, working capital, costs, capital expenditures, investment valuations, income, margins, access to capital, shareholder return and overall strategies and assessments of future plans and operations of Flora Growth; and
- the potential exercise of Dissent Rights by registered FGH Shareholders with respect to the Arrangement.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, and which are based on estimates and assumptions, are subject to known and unknown risks and uncertainties that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur, some of which are specific to Flora Growth and FGH, and others that apply to the cannabis industry generally. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will, in fact, be realized. By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward-looking statements speak only as of the date of this Circular. FGH believes the expectations reflected in those forward-looking statements are reasonable, but

no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Circular should not be unduly relied upon.

These forward-looking statements are based on certain expectations and assumptions, including expectations and assumptions respecting:

- the perceived benefits of the Arrangement and expected attributes of Flora Growth following completion of the Arrangement are based upon a number of factors, including the terms and conditions of the Arrangement Agreement and current industry, economic and market conditions, see "*The Arrangement – Recommendation of the FGH Board – Reasons for the Recommendation of the FGH Board*";
- the completion of certain steps in, and timing of, the Arrangement and the Effective Date of the Arrangement are based upon the terms of the Arrangement Agreement and advice received from counsel to FGH and Flora Growth relating to timing expectations. See "*The Arrangement – Description of the Arrangement*";
- the treatment of FGH Shareholders under tax Laws described under "*Certain Canadian Federal Income Tax Considerations*";
- the effects of the Arrangement on FGH and Flora Growth are based on FGH management's current expectations regarding the intentions of Flora Growth and Flora Growth management's current expectations regarding the intentions of FGH;
- the satisfaction and/or waiver of the conditions to Closing of the Arrangement in a timely manner and completion of the Arrangement on the expected terms;
- the expected adherence to the terms of the Arrangement Agreement and the Voting Support Agreements, and the expected timing and termination of such agreements; and
- the ability of management of Flora Growth to successfully integrate the business of FGH into its operations.

Actual events or results may differ materially due to a number of known and unknown risks, uncertainties and other factors affecting FGH's business and the market segments FGH serves generally. These risks may cause actual financial and operating results, performance, levels of activity and achievements to differ materially from those expressed in, or implied by, such forward-looking statements. Some of the risks that could cause results to differ materially from those expressed in the forward-looking statements include, without limiting the generality of the foregoing:

- the inability to obtain required consents, permits or approvals, including Court approval of the Arrangement, the requisite approvals by FGH Shareholders of the Arrangement Resolution and other third-party approvals required in order to proceed with the Arrangement at all, or, if obtained, in accordance with the required timelines contained in the Arrangement Agreement;
- the inability to satisfy or waive the other conditions to the Arrangement Agreement prior to the Closing of the Arrangement;
- FGH and Flora Growth may fail to realize, or may fail to realize in the expected timeframes, the anticipated benefits of the Arrangement;
- the timing of the Meeting and the Final Order and the anticipated Effective Date may be changed or delayed or may not occur at all;
- the failure to integrate FGH's business into the operations of Flora Growth;
- the Arrangement Agreement could be terminated by either Party under certain circumstances and such termination of the Arrangement Agreement could require the payment of the Termination Amount and/or the Expense Reimbursement Amount by FGH;
- Flora Growth and FGH will incur significant costs relating to the Arrangement, regardless of whether or not the Arrangement is completed;
- the exchange ratio is fixed between a minimum and maximum range and there can be no assurance that the market value of the Flora Shares that the FGH Shareholders may receive on the Effective Date will equal or exceed the market value of the FGH Shares held by such FGH Shareholders prior to the Effective Date;

- the potential exposure to political, economic or social instability, as well as applicable Law, in certain jurisdictions in which Flora Growth operates, or may choose to operate, including the United States;
- management of and potential for growth of Flora Growth;
- competition for, among other things, market share and skilled personnel;
- market fluctuations, dilution and share price volatility of the Flora Shares;
- continued cost of regulatory compliance;
- the Parties may discover previously undisclosed liabilities following the Effective Date;
- the focus of management's time and attention on the Arrangement may detract from other aspects of the respective businesses of Flora Growth and FGH;
- risks or delays arising from or relating to the ongoing COVID-19 pandemic;
- continued involvement in the heavily regulated retail alcohol and cannabis industries;
- conflicts of interest;
- variations in exchange rates;
- recreational and/or medical cannabis legalization in jurisdictions outside of Canada;
- inflationary pressures and rising interest rates; and
- hedging and uncertainty in global financial markets.

Management of FGH has included the above summary of assumptions and risks related to forward-looking statements provided in this Circular in order to provide FGH Shareholders with a more complete perspective in respect of the Arrangement and such information may not be appropriate for other purposes. The actual results, performance or achievement of FGH or Flora Growth could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that FGH will derive therefrom. Accordingly, FGH gives no assurance nor makes any representations or warranty that the expectations conveyed by the forward-looking statements will prove to be correct and actual results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this Circular and the documents incorporated by reference herein are expressly qualified by this cautionary statement. FGH does not undertake any obligation to publicly update or revise any forward-looking statements to reflect new information, subsequent events or otherwise, unless so required by applicable Securities Laws.

CURRENCY EXCHANGE RATE INFORMATION

The closing, high, low and average exchange rates for the United States dollar in terms of Canadian dollars for each of the two years ended December 31, 2021 and December 31, 2020 and for the nine months ended September 30, 2022, based on the indicative rate of exchange as reported by the Bank of Canada, were as follows:

	Nine-Months Ended September 30, 2022[(1)]	**Year-Ended December 31**	
		2021	**2020**
Closing	C$1.3707	C$1.2678	C$1.2732
High	C$1.3726	C$1.2942	C$1.4496
Low	C$1.2451	C$1.2040	C$1.2718
Average[(2)]	C$1.2828	C$1.2535	C$1.3415

Notes:

(1) The preceding figures represent the exchange rates as of September 29, 2022, as the Bank of Canada was closed on September 30, 2022 in observance of the National Day for Truth and Reconciliation.

(2) The average of the indicative rates during the relevant period.

THE MEETING

The Meeting will be held on December 13, 2022, subject to any adjournment or postponement thereof, at the offices of Gowling WLG (Canada) LLP, 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario, M5X 1G5, commencing at 10:00 a.m. (Toronto time), for the purposes set forth in the accompanying Notice of Meeting.

The directors and executive officers of FGH, as well as certain FGH Shareholders holding, in aggregate, 99,366,066 FGH Shares (representing approximately 73.8% of the outstanding FGH Shares as of the Record Date) have agreed to vote their FGH Shares in favour of the Arrangement Resolution on the terms and subject to the conditions of the Voting Support Agreements. See "*Summary of Material Agreements – Voting Support Agreements*".

Appointment and Revocation of Proxies

The named proxy holders are Dany Vaiman, Chief Financial Officer of FGH or, failing him, Clifford Starke, Chief Executive Officer, Director and Executive Chairman of FGH. A FGH Shareholder who wishes to appoint another Person (who need not be a FGH Shareholder) to represent such FGH Shareholder at the Meeting may either insert the Person's name in the blank space provided in the form of proxy or complete another proper form of proxy.

A proxy will only be valid if it is duly submitted and received by FGH's transfer agent, TSX Trust, via one of the below methods no later than 10:00 a.m. (Toronto time) on December 9, 2022 (or a day other than a Saturday, Sunday or holiday which is at least 48 hours before any adjournment or postponement of the Meeting). In order to cast your votes by proxy, you can use any of the following methods:

- On the internet: at www.voteproxyonline.com
- By fax: (416) 595-9593
- By mail: TSX Trust Company - 301-100 Adelaide Street West, Toronto, Ontario M5H 4H1

A FGH Shareholder who has voted by proxy may revoke it any time prior to the Meeting. To revoke a proxy, a registered FGH Shareholder may: (a) deliver a written notice to FGH's registered office at 2900 – 550 Burrard Street, Vancouver, BC V6C 0A3, Attention: Corporate Secretary, or to the offices of TSX Trust at 301-100 Adelaide Street West, Toronto, Ontario, M5H 4H1, facsimile: (416) 595-9593, at any time up to 10:00 a.m. (Toronto time) on the last business day before the Meeting or any adjournment or postponement thereof; (b) vote again on the Internet or by phone at any time up to 10:00 a.m. (Toronto time) on December 9, 2022 (or, in the event that the Meeting is adjourned or postponed, on a business day up to 48 hours prior the date to which the Meeting is adjourned or postponed); or (c) complete a form of proxy that is dated later than the form of proxy being changed, and mailing it or faxing it as instructed on the form of proxy so that it is received before 10:00 a.m. (Toronto time) on December 9, 2022 or, in the event that the Meeting is adjourned or postponed, on a business day up to 48 hours prior the date to which the Meeting is adjourned or postponed. A proxy may also be revoked by instrument in writing delivered to the Chair of the Meeting prior to the commencement of the Meeting on the day of the Meeting, or where the Meeting has been adjourned or postponed, prior to the commencement of the reconvened or postponed Meeting on the day of such reconvened or postponed Meeting.

In addition, the proxy may be revoked by any other method permitted by applicable Law. The written notice of revocation may be executed by the FGH Shareholder or by an attorney who has the FGH Shareholder's written authorization. If the FGH Shareholder is a corporation, the written notice must be executed by its duly authorized officer or attorney. Only registered FGH Shareholders have the right to directly revoke a proxy. Non-registered (beneficial) FGH Shareholders who wish to change their vote must arrange for their respective intermediaries to revoke the proxy on their behalf in accordance with any requirements of the intermediaries.

If you have questions, you may contact TSX Trust by telephone toll free in North America at 1 (866) 600-5869 (+1 (416) 342-1091 for calls outside North America), or by email at tsxtis@tmx.com.

Voting of Proxies and Exercise of Discretion

The accompanying form of FGH proxy confers discretionary authority on the Persons named in it as proxies with respect to any amendments or variations to the matters identified in the Notice of Meeting or other matters that may properly come before the Meeting, or any adjournment or postponement thereof (whether or not such amendments or variations are routine or contested), and the named proxies in your properly executed proxy will be voted or withheld on such matters in accordance with the instructions of the FGH Shareholder. If you sign and return your form of proxy without designating a proxyholder and do not give voting instructions or specify that you want your FGH Shares withheld from voting, the FGH representatives named in the form of proxy will vote your FGH Shares in favour of the Arrangement Resolution. At the date of this Circular, management of FGH is not aware of any such amendments, variations or other matters which are to be presented for action at the Meeting.

IN THE ABSENCE OF ANY SUCH INSTRUCTION, YOUR FGH SHARES WILL BE VOTED FOR THE ARRANGEMENT RESOLUTION.

Voting by Registered FGH Shareholders – Voting by Proxy

Voting by proxy is the easiest way for registered FGH Shareholders to cast their vote. Registered FGH Shareholders can vote by proxy by submitting their vote to TSX Trust via internet submission (www.voteproxyonline.com), fax ((416) 595-9593), or by mail (using the enclosed return envelope).

If you have questions, you may contact TSX Trust by telephone toll free within North America at 1 (866) 600-5869 (+1 (416) 342-1091 for calls outside North America), or by email at tsxtis@tmx.com.

Voting by Non-Registered (Beneficial) FGH Shareholders – Voting by Voting Instruction Form

The information set forth in this section is of significant importance to many FGH Shareholders, as a substantial number of FGH Shareholders do not hold FGH Shares in their own name. Non-registered (beneficial) FGH Shareholders should note that only proxies deposited by FGH Shareholders whose names appear in the records of FGH as registered FGH Shareholders can be recognized and acted upon at the Meeting or any adjournment or postponement thereof.

If FGH Shares are listed in an account statement provided to a FGH Shareholder by a broker or other intermediary then, in almost all cases, those FGH Shares will not be registered in the FGH Shareholder's name on FGH's central share register. Those FGH Shares will more likely be registered under the name of the FGH Shareholder's intermediary or an agent of that intermediary. In Canada, the vast majority of such FGH Shares are registered under the name of "CDS & Co.", the registration name of CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms. FGH Shares held by intermediaries can only be voted (for or against resolutions) upon the instructions of the non-registered (beneficial) FGH Shareholders. Without specific instructions, the intermediaries are prohibited from voting FGH Shares for their clients. FGH does not know for whose benefit the FGH Shares registered in the name of CDS & Co., or another intermediary, are held.

There are two types of non-registered (beneficial) FGH Shareholders, non-objecting beneficial owners ("**NOBOs**") and objecting beneficial owners ("**OBOs**"). A NOBO has provided instructions to the intermediary holding the securities in an account on behalf of such beneficial owner that the beneficial owner does not object, for that account, to the intermediary disclosing beneficial ownership information about the beneficial owner to the Company. An OBO has provided instructions to the intermediary holding the securities on behalf of such beneficial owner that the beneficial owner does object, for that account, to the intermediary disclosing beneficial ownership information about the beneficial owner to the Company.

The Company is sending proxy-related materials in connection with the Meeting directly to non-registered (beneficial) FGH Shareholders that are NOBOs. If you are a non-registered (beneficial) FGH Shareholder and you have received proxy-related materials for the Meeting directly from the Company or its agent, your name and address and information about your holdings of securities have been obtained from the intermediary holding on your behalf in accordance with applicable Canadian Securities Laws. For non-registered (beneficial FGH Shareholders that are OBOs, FGH has distributed copies of the proxy-related materials for the Meeting to CDS Clearing and Depository Services Inc. and intermediaries for onward distribution to such non-registered (beneficial) FGH Shareholders with whom they are associated. The Company intends to pay for the delivery of proxy-related materials in connection with the Meeting to non-registered (beneficial) FGH Shareholders that are OBOs.

Applicable regulatory policy requires intermediaries to seek voting instructions from non-registered shareholders in advance of shareholder meetings. Every intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by non-registered FGH Shareholders in order to ensure that their FGH Shares are voted at the Meeting or any adjournment or postponement thereof. Often, the form of proxy supplied to a non-registered FGH Shareholder by its intermediary is identical to the form of proxy provided to registered FGH Shareholders; however, its purpose is limited to instructing the registered FGH Shareholder on how to vote on behalf of the non-registered FGH Shareholder(s).

If you are a non-registered (beneficial) FGH Shareholder, you will receive a voting instruction form that allows you to vote on the Internet, by telephone or by mail. To vote, you should follow the instructions provided on your voting instruction form. Your intermediary is required to ask for your voting instructions before the Meeting. Please contact your intermediary if you did not receive a voting instruction form. Alternatively, you may receive from your intermediary a pre-authorized form of proxy indicating the number of FGH Shares to be voted, which you should complete, sign, date and return as directed on the form. **Each intermediary has its own procedures which should be carefully followed by non-registered FGH Shareholders to ensure that their FGH Shares are voted by their intermediary on their behalf at the Meeting.**

The majority of intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically mails a scannable voting instruction form in lieu of the form of proxy. If you are a non-registered FGH Shareholder – holding your FGH Shares through a broker, investment dealer, bank, trust company, custodian, nominee or other intermediary – you are requested to complete and return the voting instruction form in accordance with the instructions set out therein. Broadridge tabulates the results of all instructions received and provides appropriate instructions regarding the voting of FGH Shares to be represented at the Meeting or any adjournment or postponement thereof.

If you have questions, you may contact TSX Trust by telephone toll free in North America at 1 (866) 600-5869 (+1 (416) 342-1091 for calls outside North America), or by email at tsxtis@tmx.com.

Voting Securities and Principal Holders of Voting Securities

FGH is authorized to issue an unlimited number of FGH Shares, of which 134,563,674 FGH Shares were issued and outstanding as of the Record Date, being November 9, 2022. FGH Shareholders are entitled to receive notice of, and to attend and vote at, all meetings of the FGH Shareholders, and each FGH Share confers the right to one vote in person or by proxy at all meetings of the FGH Shareholders.

Only FGH Shareholders of record on the Record Date are entitled to vote or to have their FGH Shares voted at the Meeting.

As of the date of this Circular, to the knowledge of the directors and executive officers of FGH, there is no Person that beneficially owns or exercises control or direction over, directly or indirectly, voting securities of FGH carrying 10% or more of the voting rights attached to any class of voting securities of FGH, except as set forth below:

Name of FGH Shareholder	Number of FGH Shares[(1)]	Percentage of Issued and Outstanding FGH Shares
Clifford Starke	23,348,693[(2)]	17.4%

Notes:

(1) The information as to FGH Shares beneficially owned or over which control or direction is exercised, directly or indirectly, not being within the knowledge of the Company, has been furnished by the FGH Shareholder listed above.

(2) Of these: (i) 2,307,693 FGH Shares are owned by BTF Investments Inc.; (ii) 20,641,000 FGH Shares are owned by Hampstead Private Capital Ltd.; and (iii) 400,000 FGH Shares are owned by YT Research Inc., all of which are owned or controlled by Mr. Starke.

Business of the Meeting

As set out in the Notice of Meeting, at the Meeting, FGH Shareholders will be asked to consider and vote on the Arrangement Resolution. **In order for the Arrangement to be completed, FGH Shareholders must approve the Arrangement Resolution by the requisite majorities.**

Pursuant to the Arrangement, Flora Growth will acquire all of the issued and outstanding FGH Shares. As consideration under the Arrangement, Flora Growth will issue between 36,515,060 and 43,525,951 Flora Shares, such that FGH Shareholders (other than Dissenting Shareholders) will receive between approximately 0.2441 of a Flora Share and 0.3235 of a Flora Share for each FGH Share held (depending on the number of FGH Shares outstanding on the closing date of the Arrangement and Flora Growth's 20-day volume-weighted average price as of market close on the third business day prior to the Closing Date, in each case as determined in accordance with the Plan of Arrangement) for each FGH Share held. Based solely on the respective number of issued and outstanding Flora Shares and the VWAP of the Flora Shares on the date of the Arrangement Agreement, immediately following completion of the Arrangement, former FGH Shareholders immediately prior to the Effective Time are anticipated to collectively own between approximately 32% and 36% of the Flora Shares issued and outstanding immediately after the Effective Time (assuming that no Dissent Rights are exercised, and subject to dilution that may occur pursuant to permitted share issuances by Flora Growth as provided for in the Arrangement Agreement). Upon completion of the Arrangement, FGH will become a wholly-owned Subsidiary of Flora Growth.

The Arrangement Agreement is the result of arm's length negotiations between representatives of FGH and Flora Growth and their respective legal and financial advisors. The directors and officers of FGH (being insiders of FGH) are participating in the Arrangement. See "*Interest of Certain Persons in Matters to be Acted Upon*".

In order to become effective, the Arrangement will require, among other things, the approval of the Arrangement Resolution. The Arrangement Resolution will require the affirmative vote of at least two-thirds of the votes cast by FGH Shareholders present at the Meeting or represented by proxy, and the approval of a simple majority of the votes cast by FGH Shareholders present at the Meeting or represented by proxy, excluding any votes cast by those FGH Shareholders whose votes are required to be excluded in accordance with MI 61-101. See "*The Arrangement – Approvals Required for the Arrangement – FGH Shareholder Approval*".

Record Date

The FGH Board has passed a resolution to fix November 9, 2022 (the "**Record Date**") as the date for the determination of the registered FGH Shareholders who will be entitled to notice of the Meeting, and any adjournment or postponement thereof, and that will be entitled to vote at the Meeting. The Interim Order provides that the Record Date will not change in respect of any adjournment or postponement of the Meeting.

Quorum

Under FGH's articles, the quorum for the Meeting is present if two persons who are, or who represent by proxy, FGH Shareholders who, in the aggregate, hold at least 5% of the issued FGH Shares entitled to be voted at the Meeting. The Interim Order provides for the same quorum requirement.

THE ARRANGEMENT

Description of the Arrangement

On October 21, 2022, FGH and Flora Growth entered into the Arrangement Agreement. Pursuant to the Arrangement, Flora Growth will acquire all of the issued and outstanding FGH Shares. As consideration under the Arrangement, Flora Growth will issue between 36,515,060 and 43,525,951 Flora Shares, such that FGH Shareholders (other than Dissenting Shareholders) will receive between approximately 0.2441 of a Flora Share and 0.3235 of a Flora Share for each FGH Share held (depending on the number of FGH Shares outstanding on the closing date of the Arrangement and Flora Growth's 20-day volume-weighted average price as of market close on the third business day prior to the Closing Date, in each case as determined in accordance with the Plan of Arrangement) for each FGH Share held. As of the Record Date, there were 134,563,674 FGH Shares outstanding, and 78,345,883 Flora Shares outstanding. Based solely on the number of issued and outstanding Flora Shares and the VWAP of the Flora Shares on the date of the Arrangement Agreement, former FGH Shareholders are anticipated to collectively own between approximately 32% and 36% of the Flora Shares issued and outstanding immediately after the Effective Time (assuming that no Dissent Rights are exercised, and subject to dilution that may occur pursuant to permitted share issuances by Flora Growth as provided for in the Arrangement Agreement). Upon completion of the Arrangement, FGH will become a wholly-owned Subsidiary of Flora Growth.

In connection with the completion of the Arrangement, it is expected that the FGH Shares will be delisted from the TSXV and FGH will make an application to cease to be a reporting issuer under applicable Securities Laws.

See "*The Arrangement – The Plan of Arrangement*" for additional details.

Effect of the Arrangement on Holders of FGH Shares

Pursuant to the Arrangement, each FGH Share held by a FGH Shareholder (other than Dissenting Shareholders) will be transferred (free and clear of all Liens) to Flora Growth in exchange for the Consideration, provided however that, in no event shall a FGH Shareholder be entitled to a fractional Flora Share. The name of each such FGH Shareholder shall be added to the register of holders of Flora Shares maintained by or on behalf of Flora Growth. See "*The Arrangement – The Plan of Arrangement" and "Summary of Material Agreements – The Arrangement Agreement*".

Dissenting Shareholders will be deemed to have transferred their FGH Shares to Flora Growth (free and clear of all Liens) in consideration for a debt claim against Flora Growth for the amount determined under Section 3.1 [*Rights of Dissent*] of the Plan of Arrangement and will cease to have any rights as FGH Shareholders other than the right to be paid the fair value for such FGH Shares as set out in Section 3.1 [*Rights of Dissent*] of the Plan of Arrangement. The name of each such Dissenting Shareholders shall be removed as a FGH Shareholder, as applicable from the registers of FGH Shareholders, as applicable, maintained by or on behalf of FGH in respect of such FGH Shares. See "*The Arrangement – Dissent Rights for FGH Shareholders*".

Effect of the Arrangement on Holders of FGH Options

Pursuant to the Plan of Arrangement and the terms of the FGH Stock Option Plan, the FGH Board shall, prior to the Effective Time: (i) approve the acceleration of the vesting of all outstanding FGH Options, subject to receipt of requisite regulatory approval (if any), and upon such approval each FGH Option shall be deemed to be vested and exercisable prior to the Effective Time; and (ii) approve, conditional upon completion of the Arrangement, the

termination and cancellation of all FGH Options that have not been exercised prior to the Effective Time without payment of any consideration to the holders of such terminated and canceled FGH Options. The FGH Stock Option Plan and all agreements relating to FGH Options shall be terminated and of no further force or effect and neither FGH nor Flora Growth shall have any liability or obligations with respect to the FGH Stock Option Plan or any agreements relating to FGH Options.

Effect of the Arrangement on Holders of Agent Compensation Options

Pursuant to the Plan of Arrangement and in accordance with the terms of the Agent Compensation Options, each holder of an Agent Compensation Option outstanding immediately prior to the Effective Time shall receive upon the subsequent exercise of such holder's Agent Compensation Option, in accordance with its terms and for the same aggregate consideration therefor, and shall accept in lieu of each FGH Share to which such holder was theretofore entitled upon such exercise, the Consideration.

Effect of the Arrangement on Holders of FGH RSUs

Pursuant to the Plan of Arrangement, each FGH RSU that is outstanding immediately prior to the Effective Time (whether vested or unvested) shall immediately vest and the Company shall allow and issue to each holder of a FGH RSU such number of FGH Shares (provided that no share certificates shall be issued with respect to such shares as are due to such holder) under the terms of the FGH RSU Plan and thereafter the FGH RSU Plan will terminate and none of the former holders of FGH RSUs, the Company, Flora Growth or any of their respective successors or assigns shall have any rights, liabilities or obligations in respect of the FGH RSU Plan.

FGH Shares received upon settlement of the FGH RSUs will be subject to the Plan of Arrangement as described above under "*Effect of the Arrangement on Holders of FGH Shares*".

Summary of Key Procedural Steps for the Arrangement to Become Effective

The Arrangement is proposed to be carried out pursuant to a court-approved statutory plan of arrangement in accordance with Part 9, Division 5 of the BCBCA. The following procedural steps must be taken in order for the Arrangement to become effective:

(a) the Arrangement Resolution must be approved by the FGH Shareholders in the manner set forth in the Interim Order and applicable Laws, except where applicable Laws have been modified by the Interim Order and any other orders of the Court; and

(b) the Court must grant the Final Order approving the Arrangement.

In addition, the Arrangement will only become effective if all other conditions precedent to the Arrangement set forth in the Arrangement Agreement have been satisfied or waived by the appropriate party. For a description of other conditions precedent, see "*Summary of Material Agreements – The Arrangement Agreement – Conditions to Arrangement Becoming Effective*".

If the Arrangement Resolution is passed, the Final Order is obtained, every other requirement of the BCBCA relating to the Arrangement is complied with and all other conditions disclosed in the Arrangement Agreement and summarized below under "*The Arrangement Agreement – Conditions to the Arrangement Becoming Effective*" are satisfied or waived, the Arrangement will become effective on the Effective Date. FGH and Flora Growth currently expect that the Effective Date will be on or prior to December 31, 2022.

There is no assurance that the conditions set forth in the Arrangement Agreement will be satisfied or waived on a timely basis, or at all, or that the Court will grant the Final Order approving the Arrangement. See "*Risk Factors*".

Background to the Arrangement

The Arrangement Agreement is the result of arm's length negotiations among representatives of FGH and Flora Growth and their respective legal and financial advisors. The following is a summary of the material meetings, negotiations, discussions, events and actions involving the parties leading up to the announcement of the Arrangement.

As part of its continuing mandate to strengthen the business of FGH and enhance value for all FGH Shareholders, FGH's management, in the ordinary course of business, regularly explores potential strategic and other opportunities, including, among other things, potential business combinations and/or other transactions. A number of such exploratory discussions occurred in 2022 with, among other parties, Flora Growth.

In June 2022, Haywood Securities Inc. approached both FGH and Flora Growth about the prospect of a contemplated business combination. Shortly thereafter in July 2022, the respective chief executive officers of FGH and Flora Growth met. Conversations with Flora Growth expanded to include new business opportunities and synergies. Early success with these discussions prompted more detailed discussions on the longer-term strategies of both companies – particularly with regard to the European market opportunity. These discussions resulted in management of Flora Growth, in consultation with their legal counsel, providing to management of FGH an unsolicited non-binding draft letter of intent on August 21, 2022, outlining terms for a proposed business combination between the parties under a plan of arrangement (the "**LOI**"). After further discussions between the executive officers of FGH and Flora, the LOI was signed on August 22, 2022.

In light of delivery of the LOI, on August 22, 2022, the FGH Board met to, among other things: (i) review, consider and evaluate the terms of any proposed transaction with Flora Growth; (ii) establish a framework to supervise the negotiations of, and review the terms and conditions of, any proposed change of control transaction; and (iii) consider and advise whether any proposed change of control transaction is in the best interests of the Company and to undertake a process it considered appropriate in order to provide such advice including, if deemed appropriate, to hire or seek advice from the Company's financial and legal advisors.

Given the progression of discussions between the Company and Flora Growth, at the meeting of the FGH Board, the FGH Board approved FGH management entering into the LOI with Flora Growth as well as entering into a confidentiality and non-disclosure agreement to facilitate the conduct of mutual operational and financial due diligence. The LOI was subsequently countersigned by management of FGH.

Throughout August, September and October, representatives of management of each of Flora Growth and FGH, in consultation with their respective financial, accounting and legal advisors, commenced due diligence on the other party and the proposed business combination, which diligence included site visits to facilities operated by the other party.

Throughout September and October, the FGH Board was briefed regularly on the due diligence efforts and various facility tours and meetings that had been held to that date by management of FGH. During such briefings, discussions took place regarding outstanding diligence items, the timeline to completion of diligence and proposed timeline to entering into a definitive arrangement agreement. Due diligence investigations by each party continued on an ongoing basis.

In September 2022, legal counsel to Flora Growth circulated initial drafts of the Arrangement Agreement and the form of Voting Support Agreement. Through the month of October, management of FGH, the Financial Advisor and legal counsel to FGH reviewed the draft documents, and numerous drafts of the Arrangement Agreement were traded between counsel to the parties.

On October 17, 2022, the FGH Board met to receive a presentation from FGH management, the Financial Advisor and legal counsel regarding, among other things, the terms of the business combination, the Arrangement Agreement, and the form of Voting Support Agreement. In addition, the Financial Advisor presented to the FGH

Board on its financial analyses of the Arrangement and orally delivered its fairness opinion which concluded that, as of the date of such opinion and based upon and subject to the assumptions, limitations and qualifications described therein, the consideration to be received by the FGH Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the FGH Shareholders. The FGH Board then met and engaged in discussions and deliberations, including consultant with legal and financial advisors, and considered both the benefits and risks of the potential Arrangement. The members of the FGH Board satisfied themselves that the benefits of the potential Arrangement outweighed the risks, and unanimously determined that the Arrangement is in the best interests of the Company and is fair to FGH Shareholders. The FGH Board subsequently resolved to recommend that the FGH Shareholders vote their FGH Shares in favour of the Arrangement Resolution.

The final terms of the Arrangement Agreement and form of Voting Support Agreement were finalized on October 21, 2022, were executed after market close on the same day and publicly announced by both Flora Growth and FGH in respective press releases prior to the opening of trading on the Nasdaq and TSXV on October 24, 2022.

Fairness Opinion

The Financial Advisor had been providing financial advisory services to the Company since June, 2022, in respect of potential transactions involving the Company (the "**Advisory Services**"), including the prospect of a contemplated business combination with Flora Growth.

The Company entered into an engagement letter dated October 13, 2022 with the Financial Advisor, pursuant to which, among other things, the Financial Advisor agreed to prepare and deliver an opinion, addressed to the FGH Board, as to the fairness of the Consideration to be paid to FGH Shareholders pursuant to the Arrangement, from a financial point of view, to FGH Shareholders.

The Company also entered into an engagement letter dated October 21, 2022 with the Financial Advisor in respect of the Advisory Services already provided to date, and the Company acknowledged that such services had been provided prior to the date of such engagement letter. As compensation for the Advisory Services, the Company has agreed to pay the Financial Advisor a fee equal to $500,000 (the "**Advisory Fee**") which Advisory Fee shall, subject to any required regulatory approval (including stock exchange approval), be fully satisfied by the issuance of FGH Shares (the "**Advisory Shares**") at a deemed value per share equal to the greater of: (a) $0.50; and (b) the quotient obtained by dividing $500,000 by the maximum number of shares permitted to be issued by the Company immediately prior to closing the Arrangement.

On October 17, 2022, the FGH Board received an oral fairness opinion from the Financial Advisor to the effect that, as of the date of such opinion, and based upon and subject to the assumptions, limitations and qualifications that the Financial Advisor considered relevant, which were described to the FGH Board, as applicable, the Consideration to be paid to FGH Shareholders pursuant to the Arrangement is fair, from a financial point of view, to FGH Shareholders. The Financial Advisor reaffirmed the fairness opinion as of October 21, 2022 (the date of the Arrangement Agreement), and such fairness opinion was subsequently delivered in writing.

The full text of the Fairness Opinion, which sets forth, among other things, the credentials and independence of the Financial Advisor, the assumptions made, information reviewed, matters considered, and the limitations and qualifications on the review undertaken by the Financial Advisor in connection with the Fairness Opinion, is attached to this Circular as Appendix "E". The Fairness Opinion is not intended to be, and does not constitute, a recommendation to any FGH Shareholder as to how to vote or act at the Meeting. The Fairness Opinion is among a number of factors taken into consideration by the FGH Board in considering and approving the Arrangement. This summary of the Fairness Opinion is qualified in its entirety by reference to the full text of the Fairness Opinion. FGH Shareholders are urged to read the Fairness Opinion in its entirety.

The Financial Advisor was not requested to opine as to, and the Fairness Opinion does not in any manner address, FGH's underlying business decision to proceed with or effect the Arrangement, or the relative merits of the Arrangement as compared to other potential transactions or business strategy in which FGH might engage. In

addition, the Financial Advisor was not requested to opine as to, and the Fairness Opinion does not in any manner address, the fairness of the amount or the nature of any compensation to any officers, directors or employees of any parties to the Arrangement, or any class of such persons. Subsequent developments may affect the Fairness Opinion. The Financial Advisor has expressed no opinion as to the price at which the FGH Shares will trade at any future time. In the Financial Advisor's analyses and in connection with the preparation of the Fairness Opinion, the Financial Advisor made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of the Financial Advisor and any party involved in the Arrangement.

The Fairness Opinion does not constitute an independent evaluation, formal valuation or appraisal of the securities or assets of FGH and should not be construed as advice as to the price at which the securities of FGH may trade at any time and does not address any legal, tax or regulatory aspects of the Arrangement.

The Fairness Opinion is not a recommendation to any FGH Shareholder as to how to vote or act on any matter relating to the Arrangement. The Fairness Opinion only speaks to the fairness of the Consideration, from a financial point of view, to the FGH Shareholders and does not address any other aspect of the Arrangement or any related transaction, including any tax consequences of the Arrangement to FGH or FGH Shareholders.

The Fairness Opinion was rendered on the basis of securities markets, economic and general business conditions prevailing as of the date of the Fairness Opinion and the conditions and prospects, financial and otherwise, of FGH, and its affiliates, as they were reflected in the information and documents reviewed and relied upon by the Financial Advisor and as they were represented to the Financial Advisor in its discussions with the management, officers and the directors of FGH. Subsequent developments may affect the Fairness Opinion.

In support of the Fairness Opinion, the Financial Advisor performed certain value analyses on FGH and Flora Growth based on the methodologies and assumptions that the Financial Advisor considered appropriate in the circumstances for the purposes of providing its Fairness Opinion.

The Financial Advisor has disclaimed any undertaking or obligation to amend, update or reaffirm the Fairness Opinion or to advise any Person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to the attention of the Financial Advisor after the date of the Fairness Opinion. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Fairness Opinion after the date of the opinion, the Financial Advisor has reserved the right to change, modify or withdraw the Fairness Opinion.

The Financial Advisor acted as financial advisor to FGH in connection with the Arrangement. Under the terms of its engagement, FGH has agreed to pay the Financial Advisor (i) a fixed fee for the delivery of the Fairness Opinion, no portion of which is conditional upon the opinion being favourable or contingent upon completion of the Arrangement, and (ii) a fee contingent upon the successful completion of the Arrangement or another change of control transaction involving FGH. The FGH Board took the foregoing fee structures into account when considering the Fairness Opinion, in light of the fact that the Financial Advisor provided both the Advisory Services and the Fairness Opinion and also acknowledged that FGH may need to seek independent advice about whether an additional independent fairness opinion on the Arrangement would be required.

Except as described herein, the Financial Advisor has not been engaged to provide any financial advisory services nor has it participated in any financings involving FGH, Flora Growth or any of their respective associates or affiliates within the past two years.

The Financial Advisor may, from time to time and in the ordinary course of business, provide financial advisory, investment banking, or other financial services to one or more of FGH, Flora Growth or any of their respective associates or affiliates. The Financial Advisor also acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of FGH or Flora Growth and, from time to time, may have executed or may execute transactions for such companies and clients

from whom it received or may receive compensation. The Financial Advisor, as an investment dealer, conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to FGH or Flora Growth.

FGH has also agreed to indemnify the Financial Advisor and certain related Persons against certain liabilities in connection with its engagement and to reimburse the Financial Advisor for its reasonable fees and expenses incurred in connection with services rendered in connection with its engagement as Financial Advisor.

Recommendation of the FGH Board

After careful consideration of the terms of the Arrangement, including consideration of briefings from senior management, consultation with its legal and financial advisors, the receipt of the Fairness Opinion and the other factors set out below under the heading "*The Arrangement – Recommendation of the FGH Board – Reasons for the Recommendation of the FGH Board*", the FGH Board:

- Unanimously determined that the Arrangement is in the best interests of FGH and is fair to the FGH Shareholders;
- Unanimously approved the Arrangement and the entering into of the Arrangement Agreement; and
- Unanimously recommends that FGH Shareholders **VOTE FOR** the Arrangement Resolution.

Reasons for the Recommendation of the FGH Board

In the course of its evaluation of the Arrangement, the FGH Board considered a number of factors, including those listed below, with the benefit of advice from its financial advisors and legal counsel.

The following is a summary of the principal reasons for the unanimous recommendation of the FGH Board that FGH Shareholders **VOTE FOR** the Arrangement Resolution:

Continued Growth. The Arrangement will provide FGH Shareholders with between approximately 32% and 36% ownership of a rapidly growing diversified business upon completion of the Arrangement, which includes Flora Growth's cannabis cultivation facilities as well as Flora Growth's manufacturing and processing capabilities and consumer packaged goods business.

Synergies and Cost Savings. The combination of Flora Growth with FGH is expected to deliver at least US$3 million of annual cost synergies within the first year following the completion of the Arrangement, primarily in the areas of reduced corporate administrative expenses.

Prospects as an Independent Entity. The FGH Board assessed current industry, economic and market conditions and trends, and expectations of the future prospects in the cannabis industry, as well as information concerning the business, operations, assets, financial performance and condition, operating results and prospects of FGH, including the strategic direction of FGH as an independent entity and its future financial and liquidity requirements (particularly in light of a desire to avoid dilutive financings).

Enhanced Access to Capital and Capital Markets Profile. The combined entity will be a Nasdaq-listed issuer, with greater access to equity and debt capital markets with attractive liquidity and investor support.

Support of Directors and Executive Officers. All of the directors and executive officers of FGH have entered into the Voting Support Agreements with Flora Growth pursuant to which they have agreed, among other things, to support the Arrangement and to vote their FGH Shares in favour of the Arrangement.

Fairness Opinion. The FGH Board has received a fairness opinion from the Financial Advisor to the effect that, as of the date of such opinion and based upon and subject to the assumptions, limitations and qualifications set out therein, the consideration to be received by FGH Shareholders pursuant to the Arrangement is fair, from a financial point of view, to FGH Shareholders. See "*The Arrangement – Fairness Opinion*".

Tax Deferred Transaction. The exchange of FGH Shares for Flora Shares pursuant to the Arrangement will generally occur on a tax-deferred basis for Canadian federal income tax purposes. For a summary of certain Canadian federal income tax consequences of the Arrangement for FGH Shareholders who are subject to Canadian taxation, see the discussion under "*Certain Canadian Federal Income Tax Considerations*". Such summary is not intended to be legal or tax advice. FGH Shareholders should consult their own tax advisors as to the tax consequences of the Arrangement to them with respect to their particular circumstances.

In making its determinations and recommendations, the FGH Board also observed that a number of procedural safeguards were in place and are present to permit the FGH Board to represent the interests of FGH, the FGH Shareholders and FGH's other stakeholders. These procedural safeguards include, among others:

Arm's Length Negotiation Process. The Arrangement is the result of a comprehensive arm's length negotiation process with Flora Growth that was undertaken by the FGH Board with the assistance of FGH's management as well as FGH's financial and legal advisors.

Ability to Respond to Superior Proposals. Notwithstanding the limitations contained in the Arrangement Agreement on FGH's ability to solicit interest from third parties, the Arrangement Agreement allows FGH to engage in discussions or negotiations regarding any unsolicited Acquisition Proposal received prior to the approval of the Arrangement Resolution by FGH Shareholders and after the FGH Board first determines in good faith, after consultation with its financial advisors and outside legal counsel, that such Acquisition Proposal constitutes, or could reasonably be expected to constitute or lead to a Superior Proposal. Subject to Flora Growth's right to match, FGH is also permitted to change its recommendation, terminate the Arrangement Agreement and enter into an agreement with respect to a Superior Proposal if, among other things, FGH pays the Termination Amount to Flora Growth. See "*Summary of Material Agreements – The Arrangement Agreement – FGH Covenants Regarding Non-Solicitation*".

Reasonable Termination Payment. The FGH Board believes that the $1,000,000 termination fee, which is payable by FGH in certain circumstances described under "*Summary of Material Agreements – The Arrangement Agreement – Termination Payment*" is reasonable. In the view of the FGH Board, the termination fee would not preclude a third party from potentially making a Superior Proposal.

Shareholder Approvals. In order to proceed, the Arrangement Resolution must be approved by: (i) not less than two-thirds (66 2/3%) of the votes cast by FGH Shareholders, present in person or represented by proxy at the Meeting; and (ii) a simple majority (greater than 50%) of the votes cast by FGH Shareholders, present in person or represented by proxy at the Meeting, after excluding the votes cast by persons whose votes are required to be excluded in determining minority approval in accordance with MI 61-101. See "*The Arrangement – Approvals Required for the Arrangement – FGH Shareholder Approval*".

Court Approval. The Arrangement must be approved by the Court, which will consider, among other things, the substantive and procedural fairness and the rights and interests of every person affected.

Dissent Rights. Dissent Rights are available to registered FGH Shareholders with respect to the Arrangement. See "*The Arrangement – Dissent Rights for FGH Shareholders*".

The FGH Board also considered a number of potential risks and other factors resulting from the Arrangement and the Arrangement Agreement, including those matters described under the heading "*Risk Factors*", as well as the following:

Risks of Non-Completion. The risks to FGH if the Arrangement is not completed, including the costs to FGH in pursuing the Arrangement, the diversion of management's attention away from conducting the business of the Company in the Ordinary Course and the potential impact on FGH's current business relationships (including with future and prospective employees, suppliers and partners).

Limitations on Solicitation of Alternative Transactions. The limitations contained in the Arrangement Agreement on FGH's ability to solicit additional interest from third parties, given the nature of the deal protections and "fiduciary out" in the Arrangement Agreement, as well as the fact that if the Arrangement Agreement is terminated under certain circumstances, FGH will be required to pay a $1,000,000 termination fee to Flora Growth.

Failure to Realize Synergies or Growth Potential. The risk of not realizing all of the anticipated synergies between FGH and Flora Growth or the growth potential of Flora Growth, and the risk that other expected benefits of the Arrangement are not realized.

Fluctuations in Value of Flora Share Consideration. The risk that the number of Flora Shares to be issued as consideration are based on a minimum and maximum exchange ratio and will not be adjusted based on fluctuations in the market value of FGH Shares prior to Closing of the Arrangement.

Transfer Restrictions and Exceptions. The Consideration Shares to be issued to former FGH Shareholders upon completion of the Arrangement will be subject to the Transfer Restrictions and Exceptions, which will prevent FGH Shareholders who wish to sell or otherwise dispose of their Consideration Shares before the Release Date from doing so, unless consented to by Flora Growth or otherwise by a permitted transfer.

Risks of Dilution. Flora Growth may issue more Flora Shares, which could cause the market price of each Flora Share to decrease, which would affect the *pro forma* ownership of FGH Shareholders in the consolidated entity.

Diversion of FGH Management Attention. The potential risk of diverting management's attention and resources from the operation of FGH's business, including other strategic opportunities and operational matters, while working toward the completion of the Arrangement.

Impact on FGH's Existing Relationships. The potential negative effect of the pendency of the Arrangement on FGH's business, including its relationships with employees, suppliers, customers and communities in which it operates.

Limitations on Operation of Business during Interim Period. The restrictions on the conduct of FGH's business prior to the completion of the Arrangement, which could delay or prevent FGH from undertaking business opportunities that may arise pending completion of the Arrangement.

Retention of Key Personnel. The potential adverse impact that business uncertainty pending the completion of the Arrangement could have on FGH's ability to attract, retain and motivate key personnel until the completion of the Arrangement.

Inability to Negotiate an Alternative Transaction. The fact that if the Arrangement Agreement is terminated and FGH decides to seek another transaction or business combination, it may be unable to find a party willing to pay greater or equivalent value compared to the consideration payable to FGH Shareholders under the Arrangement.

Risks related to Regulatory Approvals. The risk that the Court and regulatory agencies may not approve the Arrangement or may impose terms and conditions on their approvals that may adversely affect the business and financial results of the combined entity.

Transaction Costs. The fact that FGH has incurred and will continue to incur significant transaction costs and expenses in connection with the Arrangement, regardless of whether the Arrangement is completed.

In arriving at its recommendation and determination, the FGH Board also considered the information, data, and conclusions contained in the Fairness Opinion.

The foregoing summary of the information and factors considered by the FGH Board is not intended to be exhaustive, but includes the material information and factors considered by the FGH Board in its consideration of the Arrangement. In view of the variety of factors and the amount of information considered in connection with the FGH Board's evaluation of the Arrangement, the FGH Board did not find it practicable to and did not quantify or otherwise attempt to assign any relative weight to each of the specific factors considered in reaching its conclusions and recommendations. In addition, individual members of the FGH Board may have assigned different weights to different factors in reaching their own conclusion as to the fairness of the Arrangement.

The Plan of Arrangement

Pursuant to the Plan of Arrangement, commencing at the Effective Time, each of the events set out below shall occur and be deemed to occur in the following sequence in each case, except where stated otherwise, without any further authorization, act or formality of or by FGH, Flora Growth or any other Person:

(a) at the Effective Time:

(i) pursuant to the terms of the FGH Stock Option Plan, the FGH Board shall prior to the Effective Time: (i) approve the acceleration of the vesting of all outstanding FGH Options, subject to receipt of requisite regulatory approval (if any), and upon such approval each FGH Option shall be deemed to be vested and exercisable prior to the Effective Time; and (ii) approve, conditional upon completion of the Arrangement, the termination and cancellation of all FGH Options that have not been exercised prior to the Effective Time without payment of any consideration to the holders of such terminated and canceled FGH Options;

(ii) the FGH Stock Option Plan and all agreements relating to FGH Options shall be terminated and of no further force or effect and neither FGH nor Flora Growth shall have any liability or obligations with respect to the FGH Stock Option Plan or any agreements relating to FGH Options;

(iii) in accordance with the terms of the Agent Compensation Options, each holder of an Agent Compensation Option outstanding immediately prior to the Effective Time shall receive upon the subsequent exercise of such holder's Agent Compensation Option, in accordance with its terms and for the same aggregate consideration therefor, and shall accept in lieu of each FGH Share to which such holder was theretofore entitled upon such exercise, the Consideration; and

(iv) each FGH RSU outstanding immediately prior to the Effective Time (whether vested or unvested) shall immediately vest and the Company shall allot and issue to each holder of a FGH RSU such number of FGH Shares (provided that no share certificates shall be issued with respect to such shares as are due to such holder) under the terms of the FGH RSU Plan and thereafter the FGH RSU Plan will terminate and none of the former holders

of FGH RSUs, the Company, Flora Growth or any of their respective successors or assigns shall have any rights, liabilities or obligations in respect of the FGH RSU Plan.

(b) immediately after the steps in (a) above:

(i) each FGH Share held by a Dissenting Shareholder will be deemed to have been transferred (free and clear of all Liens) to Flora Growth in consideration for a debt claim against Flora Growth for the amount determined under the Plan of Arrangement, and:

(A) the registered holder of such Dissenting Shares will cease to be the holder thereof or to have any rights as a holder thereof other than the right to be paid the fair value for such FGH Shares as set out in the Plan of Arrangement; and

(B) the holder of such Dissenting Share shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer and assign such FGH Shares; and

(C) Flora Growth shall be and shall be deemed to be the transferee of such Dissenting Share (free and clear of all Liens) and will be entered in the central securities register of the Company as the sole holder thereof; and

(c) immediately after the steps in (b) above:

(i) each FGH Share outstanding immediately prior to the Effective Time (including FGH Shares allotted pursuant to the settlement of FGH RSUs under the Plan of Arrangement but other than Dissenting Shares and any FGH Shares directly or indirectly owned by Flora Growth) shall be and shall be deemed to be transferred to Flora Growth (free and clear of all Liens) in exchange for the Consideration, provided:

(A) that the Flora Shares comprising the Consideration shall be subject to the Transfer Restrictions and Exceptions; and

(B) the certificates or any "direct registration system" statements or advice representing Flora Shares comprising the Consideration shall bear (or, in the case of uncertificated Flora Shares, be deemed to bear) the Restricted Legend until the Release Date;

(ii) with respect to each FGH Share transferred to Flora Growth pursuant to the Plan of Arrangement:

(A) the holder of such FGH Share will cease to be the holder thereof or to have any rights as a holder thereof (other than the right to receive the consideration such holder is entitled to receive pursuant to the Plan of Arrangement) and the name of the holder thereof will be removed from the central securities register of the Company;

(B) the holder of such FGH Shares shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer and assign such FGH Shares; and

(C) Flora Growth shall be and shall be deemed to be the transferee of such FGH Shares (free and clear of all Liens) and will be entered in the central securities register of the Company as the sole holder thereof; and

(iii) each FGH Shareholder (other than a holder of Dissenting Shares) will be the holder of the aggregate number of Flora Shares issued to such FGH Shareholder pursuant to the Plan of Arrangement and the securities registers of Flora Growth will be revised accordingly.

Arrangement Consideration

All Flora Shares issued as consideration to FGH Shareholders pursuant to the Plan of Arrangement will be fully paid and non-assessable and, upon issuance, FGH Shareholders will be deemed to have received the full consideration for their FGH Shares.

Procedure for Exchange of FGH Shares

Registered FGH Shareholders

Enclosed with this Circular is the Letter of Transmittal which, when properly completed and duly executed and returned to the Depositary together with a share certificate or share certificates representing FGH Shares and all other required documents, will enable each registered FGH Shareholder to obtain the Flora Shares to which such FGH Shareholder is entitled as consideration under the Arrangement.

The Letter of Transmittal sets out the details to be followed by each registered FGH Shareholder for delivering the share certificate(s) or DRS Statement(s), if any, held by such registered FGH Shareholder to the Depositary. In order to receive DRS Advices representing Flora Shares which the registered FGH Shareholder is entitled to receive on completion of the Arrangement, registered FGH Shareholders must deposit with the Depositary (at the address specified on the Letter of Transmittal) the applicable validly completed and duly signed Letter of Transmittal together with the share certificate(s) or DRS Statement(s) representing the registered FGH Shareholder's FGH Shares, if any, and such other documents and instruments as the Depositary may reasonably require.

Provided that a registered FGH Shareholder has returned a properly completed and executed Letter of Transmittal and has presented and surrendered the share certificate(s) or DRS Statement(s) representing such registered FGH Shareholder's FGH Shares, if any, to the Depositary, together with such other documents and instruments as the Depositary may reasonably require as set forth in the Letter of Transmittal, the Depositary will cause the Consideration Shares, less any applicable tax withholdings for each FGH Share exchanged pursuant to the Arrangement, in the form of DRS Advices representing Flora Shares to be sent to such registered FGH Shareholder as soon as reasonably practicable following the Effective Date. The FGH Shares issued as consideration under the Arrangement will be either: (a) issued and mailed in accordance with the instructions provided by the registered FGH Shareholder in its Letter of Transmittal; (b) held for pick-up at the offices of the Depositary if directed by the registered FGH Shareholder in its Letter of Transmittal; or (c) if no instructions are provided by the registered FGH Shareholder in the Letter of Transmittal, issued in the name of the registered FGH Shareholder and mailed to the address of the registered FGH Shareholder as it appears in the register of shareholders of FGH.

A registered FGH Shareholder who does not deposit a properly completed and executed Letter of Transmittal with the Depositary or who does not surrender the share certificate(s) or DRS Statement(s) representing such registered FGH Shareholder's FGH Shares, if any, in accordance with the Letter of Transmittal or does not otherwise comply with the requirements of the Letter of Transmittal and the instructions therein will not be entitled to receive Flora Shares issued as consideration under the Arrangement until the registered FGH Shareholder deposits with the Depositary a properly completed and executed Letter of Transmittal and the share certificate(s) or DRS Statement(s) representing the registered FGH Shareholder's FGH Shares, if any.

If the Arrangement is not completed, the Letter of Transmittal will be of no effect and the Depositary will return all deposited share certificate(s) or DRS Statement(s), if any, to the registered FGH Shareholder as soon as possible. The Letter of Transmittal is also available on FGH's SEDAR profile at www.sedar.com.

It is recommended that registered FGH Shareholders complete, sign and return the Letter of Transmittal with the accompanying share certificate(s) or DRS Statement(s) representing their FGH Shares to the Depositary as soon as possible.

Non-Registered FGH Shareholders

Non-registered (beneficial) FGH Shareholders whose FGH Shares are registered in the name of a broker, investment dealer, bank, trust company, custodian, nominee or other intermediary must contact their nominee to deposit their FGH Shares.

Fractional Shares

No fractional Flora Shares are issuable pursuant to the Plan of Arrangement. Where the aggregate number of Consideration Shares to be issued to a FGH Shareholder would otherwise result in a fraction of a Consideration Share being issuable, the number of Consideration Shares to be received by such FGH Shareholder will be rounded down to the closest whole number and such fraction shall be disregarded and canceled without any additional consideration payable to the FGH Shareholder.

Lost Certificates

In the event that any certificate which immediately prior to the Effective Time represented one or more outstanding FGH Shares that were transferred to Flora Growth pursuant to the Plan of Arrangement will have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the former holder of FGH Shares claiming such certificate, letter or other instrument to be lost, stolen or destroyed, the Depositary shall, in exchange for such lost, stolen or destroyed certificate, cause the delivery to such former holder of FGH Shares the Consideration Shares which such holder is entitled to receive pursuant to the Arrangement, net of amounts required to be withheld (if any) pursuant to withholding rights described in the Plan of Arrangement. When authorizing such payment in relation to any lost, stolen or destroyed certificate, the former holder of FGH Shares shall, as a condition precedent to the delivery thereof, give a surety bond satisfactory to each of Flora Growth and the Depositary (acting reasonably) in such sum as Flora Growth may direct and indemnify Flora Growth, FGH and the Depositary in a manner satisfactory to Flora Growth, FGH and the Depositary (acting reasonably) against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

Withholding Rights

Flora Growth, FGH or the Depositary shall deduct and withhold from any consideration otherwise payable to a former FGH Shareholder, including a Dissenting Shareholder, a holder of FGH Options or FGH RSUs, under the Plan of Arrangement such Taxes or other amounts as Flora Growth, FGH or the Depositary are required to deduct and withhold with respect to such payment under the Tax Act or any provision of any other applicable Law. Flora Growth, FGH or the Depositary may sell forthwith Consideration Shares otherwise payable to such Person on behalf of, and as agent for, the former FGH Shareholder to fund the required withholding. To the extent that Taxes or other amounts are so withheld, such withheld amounts shall be treated for all purposes as having been paid to the Person in respect of which such withholding was made, provided that such amounts are actually remitted to the appropriate taxing authority. None of Flora Growth, FGH, the Depositary or any broker used by the foregoing will be liable for any loss arising out from any sale of Consideration Shares, including any loss relating to the manner or timing of such sales, the prices at which the Consideration Shares are sold, or otherwise.

Extinction of Rights

Any certificate or book-entry advice statement which immediately prior to the Effective Time represented one or more outstanding FGH Shares that were acquired by Flora Growth pursuant to the Plan of Arrangement and which is not deposited with the Depositary in accordance with the Plan of Arrangement on or before the sixth anniversary of the Effective Date, will cease to represent a claim or interest of any kind or nature whatsoever, whether as a

securityholder or otherwise and whether against FGH, Flora Growth, the Depositary or any other Person. On such date, the Consideration such former holder of FGH Shares would otherwise have been entitled to receive shall be and shall be deemed to have been surrendered for no consideration to Flora Growth. None of FGH, Flora Growth nor the Depositary will be liable to any Person in respect of any cash or securities (including any cash or securities previously held by the Depositary as agent for any such former holder) which is forfeited to Flora Growth or delivered to any public official pursuant to any applicable abandoned property, escheat or similar law.

Amendments to the Arrangement

The Company and Flora Growth reserve the right to amend, modify and/or supplement the Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be (i) set out in writing; (ii) approved by the Company and Flora Growth (each acting reasonably), (iii) filed with the Court and, if made following the Meeting, approved by the Court and (iv) communicated to or approved by the FGH Shareholders if and as required by the Court. Any amendment, modification or supplement to the Plan of Arrangement may be proposed by FGH at any time prior to the Meeting (provided that Flora Growth shall have consented thereto) with or without any other prior notice or communication and, if so proposed and accepted by the Persons voting at the Meeting (other than as may be required under the Interim Order) shall become part of the Plan of Arrangement for all purposes.

Any amendment, modification or supplement to the Plan of Arrangement that is approved or directed by the Court following the Meeting shall be effective only if such amendment, modification or supplement is consented to (i) in writing by each of the Company and Flora Growth (Each acting reasonably), and (ii) if required by the Court, by some or all of the FGH Shareholders voting in the manner directed by the Court. And amendment, modification or supplement to the Plan of Arrangement may be made following the Effective Date unilaterally by Flora Growth, provided that it concerns a matter which, in the reasonable opinion of Flora Growth, is of an administrative nature required to better give effect to the implementation of the Plan of Arrangement and is not adverse to the financial or economic interests of any former holder of FGH Shares. The Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the terms of the Arrangement Agreement.

Stock Exchange Listing for Consideration Shares

Flora Shares are currently listed on Nasdaq under the symbol "FLGC" and trade in United States dollars. It is a mutual condition of Closing that the necessary conditional approvals or equivalent approvals, as the case may be, for listing the Consideration Shares on Nasdaq, be obtained.

Approvals Required for the Arrangement

FGH Shareholder Approval

In order to become effective, the Arrangement Resolution will require the affirmative vote of at least two-thirds of the votes cast by FGH Shareholders present at the Meeting or represented by proxy, and the approval of a simple majority of the votes cast by FGH Shareholders present at the Meeting or represented by proxy, excluding any votes cast by those FGH Shareholders whose votes are required to be excluded in accordance with MI 61-101. See "*The Meeting – Business of the Meeting*".

As disclosed in this Circular, there are certain agreements, commitments or understandings existing between FGH and certain of its directors and executive officers or as contemplated in the Arrangement Agreement pursuant to which such individuals may receive certain payments or other benefits upon completion of the Arrangement, including by way of offers for continued employment with Flora Growth. See "*Interest of Certain Persons in Matters to be Acted Upon*".

Majority of Disinterested FGH Shareholder Approval Under MI 61-101

MI 61-101 is intended to regulate insider bids, issuer bids, business combinations and related party transactions (as each such term is defined in MI 61-101) to ensure equality of treatment among securityholders, generally by requiring enhanced disclosure, minority securityholder approval, and, in certain instances, independent valuations and approval and oversight of certain transactions by a special committee of independent directors. MI 61-101 applies to all companies listed on the TSXV and, accordingly, FGH is subject to the provisions of MI 61-101.

The Arrangement constitutes a "business combination" for FGH under MI 61-101 as (i) it is a transaction as a consequence of which the interest of a holder of FGH Shares may be terminated without the consent of such holder of FGH Shares; and (ii) pursuant to the Arrangement, Persons who constitute "related parties" (as defined in MI 61-101) of FGH will receive a "collateral benefit" (as defined in MI 61-101) in connection with the Arrangement. A "collateral benefit", as defined in MI 61-101, includes any benefit that a "related party" of the issuer (which includes the directors and executive officers of the issuer) is entitled to receive, directly or indirectly, as a consequence of the transaction, including an increase in salary, a lump-sum payment, a payment for surrendering securities, or other enhancement in benefits related to past or future services as an employee, director or consultant of the issuer.

The benefits to be received by certain related parties of FGH do not fall into any category of benefits that is carved out of the definition of "collateral benefit" under MI 61-101 and no exemption from the requirement to obtain "minority approval" in accordance with MI 61-101 is available to FGH.

Accordingly, under MI 61-101, in addition to the approval of the Arrangement Resolution by at least 66 2/3% of the votes cast by FGH Shareholders at the Meeting, the Arrangement Resolution must also be approved by the affirmative vote of a simple majority of the votes cast by holders of every class of "affected securities" (as defined in MI 61-101) of the applicable issuer (subject to certain excluded Persons who hold such affected securities). The FGH Shares are "affected securities" for the purposes of the Arrangement. In turn, the Arrangement Resolution must be approved by the affirmative vote of a simple majority of the votes cast by the FGH Shareholders, other than FGH Shares held by each "interested party" (as defined in MI 61-101), any "related party" of an "interested party", unless the related party meets that description solely in its capacity as a director or executive officer of one or more Persons that are neither "interested parties" nor "issuer insiders" (in each case within the meaning of MI 61-101), and any "joint actor" (as defined in MI 61-101) with any of the foregoing Persons.

Mr. Dany Vaiman, the Chief Financial Officer of the Company, and Mr. Edward Woo, the President and Chief Operating Officer of the Company, are parties to employment agreements that contain severance provisions that will result in change of control entitlements, as described under the heading "*Interest of Certain Persons in Matters to be Acted Upon – Change of Control Benefits*". Such change of control entitlements: (a) were not conferred for the purpose, in whole or in part, of increasing the value of the consideration to be paid to each of them; and (b) were not, by their terms, conditional on each of them supporting the Arrangement in any manner. As well, each of Messrs. Vaiman and Woo, and their associated entities, beneficially owns (as defined in MI 61-101) or exercises control or direction over less than 1% of the outstanding securities of FGH. Finally, Messrs. Vaiman and Woo may be issued additional securities of the Company in settlement of certain debts owing to them by the Company, as discussed under the heading "*Interest of Certain Persons in Matters to be Acted Upon – Ownership of FGH Shares, FGH Options, and FGH RSUs*". Accordingly, the change of control entitlements payable to Messrs. Vaiman and Woo in connection with the Arrangement are excluded from the definition of "collateral benefit" under MI 61-101.

Mr. Clifford Starke, the Chief Executive Officer and Executive Chairman of the Company, beneficially owns (as defined in MI 61-101) more than 1% of the outstanding securities of FGH. In connection with the Arrangement, Mr. Starke has the right to appoint the Starke Nominees as described under the heading "*Interest of Certain Persons in Matters to be Acted Upon – The Starke Nominees*". Mr. Starke may also acquire certain assets of the Company as described under the heading "*Interest of Certain Persons in Matters to be Acted Upon – Potential Acquisition of Certain Assets of the Company by Clifford Starke in Connection with Closing*". Finally, Mr. Starke may be issued additional securities of the Company in settlement of certain debts owing to him by the Company, as

discussed under the heading "*Interest of Certain Persons in Matters to be Acted Upon – Ownership of FGH Shares, FGH Options, and FGH RSUs*".

The foregoing benefits Mr. Starke will or is expected to receive if the Arrangement is completed, do not fall within an exception to the "collateral benefit" rules for purposes of MI 61-101. As of the Record Date, Mr. Starke beneficially owns 23,348,693 FGH Shares and 1,104,965 FGH Options. Accordingly, the votes attached to the FGH Shares held by Mr. Starke (being an aggregate of 23,348,693 FGH Shares representing approximately 17.4% of the issued and outstanding FGH Shares as of the Record Date) will be excluded for the purposes of approval in accordance with MI 61-101.

Formal Valuation Under MI 61-101

The Company is not required to obtain a formal valuation under MI 61-101 as no interested party of FGH is, as a consequence of the Arrangement, directly or indirectly acquiring the Company or its business or combining with FGH and neither the Arrangement nor the transactions contemplated thereunder is a "related party transaction" involving any "interested party" (each as defined in MI 61-101) for which FGH would be required to obtain a formal valuation.

Prior Valuations and Prior Offers under MI 61-101

To the knowledge of the directors and executive officers of FGH, after reasonable enquiry, except as set out below, there have been no "prior valuations" (as defined in MI 61-101) prepared in respect of FGH within the 24 months preceding the date of this Circular and, no *bona fide* prior offer (as defined in MI 61-101) that relates to the transactions contemplated by the Arrangement has been received by FGH during the 24 months before the execution of the Arrangement Agreement.

In connection with the Qualifying Transaction, Franchise Oldco obtained a valuation from Evans & Evans, Inc. (the "**Valuator**") dated August 31, 2021 entitled "*Comprehensive Valuation Report on Franchise Cannabis Corp.*" (the "**Valuation Report**"). The Valuation Report was prepared in accordance with the standards set forth by the Canadian Institute of Chartered Business Valuators and, in the opinion of the Valuator, given the scope of its engagement, it assigned a fair value of between $215,470,000 to $228,950,000 to Franchise Oldco, as at July 31, 2021. A copy of the Valuation Report may be inspected during regular business hours at the offices of the Company, and the Company will send a copy of the Valuation Report to any security holder upon request for a nominal charge to cover printing and postage.

Court Approval

The Arrangement requires Court approval under the BCBCA. On November 14, 2022, FGH obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. A copy of the Interim Order and the Notice of Petition are attached to this Circular as Appendices D and E, respectively.

Subject to the terms of the Arrangement Agreement, and if the Arrangement Resolution is approved by FGH Shareholders at the Meeting in the manner required by the Interim Order, FGH intends to make an application to the Court for the Final Order.

At the Final Order hearing, the Court will be asked for a declaration that the Arrangement is procedurally and substantially fair to the FGH Shareholders, which will, in part, serve as the basis for the Section 3(a)(10) Exemption. Offers and sales of the Flora Shares to be issued pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act or the Securities Laws of any state of the United States and will be issued in reliance upon the Section 3(a)(10) Exemption and similar exemptions from registration or qualification under any applicable Securities Laws of any state of the United States in which FGH Shareholders reside. The Section 3(a)(10) Exemption exempts from registration a security that is issued in exchange for outstanding securities, claims or property interests, where the terms and conditions of such issuance and exchange are approved, after a

hearing upon the procedural and substantive fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear, and receive timely and adequate notice thereof, by a court or by a governmental authority expressly authorized by law to grant such approval. The Court will be advised at the hearing of the application for the Final Order that if the terms and conditions of the Arrangement, and the procedural and substantive fairness thereof, are approved by the Court, the Final Order will be relied upon to constitute the basis for the Section 3(a)(10) Exemption with respect to the Flora Shares to be issued pursuant to the Arrangement. Accordingly, the Final Order of the Court will, if granted, constitute a basis for the Section 3(a)(10) Exemption with respect to the issuance of the Flora Shares in connection with the Arrangement. To the extent state blue-sky laws are applicable to any offers or sales of Flora Shares made in any state or territory of the United States, Flora will rely on available exemptions under such Laws. See "*The Arrangement - United States Securities Law Considerations*".

The application for the Final Order approving the Arrangement is currently scheduled for 9:45 a.m. (Vancouver time) on December 16, 2022, or as soon thereafter as counsel may be heard or at such other date and time as the FGH Board may advise at the Courthouse, 800 Smithe Street, Vancouver, British Columbia, or as the Court may direct. Any FGH securityholders or any other interested party who wishes to appear or be represented and/or to present evidence or arguments at the hearing of the application for the Final Order must file and serve a response to petition no later than 4:00 p.m. (Vancouver time) on December 14, 2022 along with any other documents required, all as set out in the Interim Order and the Notice of Petition, the text of which are set out in Appendices D and E, respectively, to this Circular, and satisfy any other requirements of the Court. Such persons should consult with their legal advisors as to the necessary requirements. In the event that the hearing is adjourned, then, subject to further order of the Court, only those persons having previously filed and served a response to petition will be given notice of the adjournment.

The Court has broad discretion under the BCBCA when making orders with respect to the Arrangement. The Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, on the terms presented or substantially on those terms. Depending upon the nature of any required amendments, FGH or Flora Growth may decide not to proceed with the Arrangement.

Dissent Rights for FGH Shareholders

The following description of the rights of FGH Shareholders to dissent from the Arrangement Resolution is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of their FGH Shares. A FGH Shareholder's failure to strictly comply with the procedures set forth in Sections 237 to 247 of the BCBCA, as modified or supplemented by the Interim Order and Plan of Arrangement, will result in the loss of such FGH Shareholder's Dissent Rights. If you are a registered holder of FGH Shares and wish to dissent, you should obtain your own legal advice and carefully read the Plan of Arrangement, the provisions of Sections 237 to 247 of the BCBCA and the Interim Order which are attached to this Circular as Appendices B, F and D, respectively. In addition to any other restrictions under Sections 237 to 247 of the BCBCA (as modified or supplemented by the Interim Order and the Plan of Arrangement), holders of securities convertible into FGH Shares are not entitled to exercise dissent rights.

A registered holder of FGH Shares may dissent in respect of the Arrangement in accordance with Sections 237 to 247 of the BCBCA only with respect to all of the FGH Shares held by such FGH Shareholder or on behalf of any one beneficial FGH Shareholder and registered in the registered FGH Shareholder's name.

Only registered holders of FGH Shares may dissent. Persons who are beneficial holders of FGH Shares who wish to dissent should be aware that only the registered owner is entitled to exercise Dissent Rights. A registered holder, such as a broker, who holds FGH Shares as nominee for beneficial shareholders of FGH Shares, some of whom wish to dissent, must exercise Dissent Rights on behalf of such for beneficial shareholders of FGH Shares with respect to the FGH Shares held for such beneficial holders of FGH Shares. In such case, the demand for dissent should set forth the number of FGH Shares covered by it. Registered holders of FGH Shares may exercise rights

of dissent with respect to such FGH Shares pursuant to and in the manner set forth in sections 237 to 247 of the BCBCA, as modified or supplemented by the Interim Order and Plan of Arrangement. Registered holders of FGH Shares who duly exercise such rights of dissent and who:

(a) are ultimately entitled to be paid fair value for their FGH Shares shall be entitled to be paid by Flora Growth such fair value as determined as at the close of business on the day prior to the approval of the Arrangement Resolution by FGH Shareholders; or

(b) are ultimately not entitled, for any reason, to be paid fair value for their FGH Shares, shall be deemed to have participated in the Arrangement on the same basis as a FGH Shareholder who has not exercised Dissent Rights,

but in no case shall FGH, Flora Growth or any other person be required to recognize a Dissenting Shareholder as a registered or beneficial holder of FGH Shares or having any interest therein after the Effective Time, and the names of such FGH Shareholders shall be deleted from the central securities register of FGH as at the Effective Time. There can be no assurance that a FGH Shareholder validly exercising Dissent Rights will receive consideration for its FGH Shares of equal or greater value to the consideration that such FGH Shareholder would have received on completion of the Arrangement.

Section 237 to 247 of the BCBCA

Sections 237 to 247 of the BCBCA, as modified or supplemented by the Interim Order and Plan of Arrangement, provide that a FGH Shareholder who dissents to the Arrangement may exercise a right of dissent and require Flora Growth to purchase the applicable FGH Shares held by such FGH Shareholder at the fair value of such FGH Shares. The exercise of Dissent Rights does not deprive a registered holder of FGH Shares of the right to vote at the Meeting. However, a FGH Shareholder is not entitled to exercise Dissent Rights in respect of the Arrangement Resolution if such holder votes any of the FGH Shares beneficially held by such holder in favour of the Arrangement Resolution.

Registered holders of FGH Shares who wish to exercise their Dissent Rights must: (i) deliver a written notice of dissent to the Arrangement Resolution to the Company, by mail to: FGH c/o Gowling WLG (Canada) LLP, 550 Burrard St., Suite 2300, Vancouver, BC V6C 2B5, Attention: Jonathan B. Ross, by 10:00 a.m. (Vancouver time) on the date that is two Business Days immediately preceding the date of the Meeting or the date on which the adjourned or postponed Meeting is reconvened or convened, as applicable; (ii) not have voted in favour of the Arrangement Resolution; and (iii) otherwise have complied with the procedures set forth in Section 237-247 of the BCBCA, as modified and supplemented by the Interim Order and the Plan of Arrangement.

A beneficial holder of FGH Shares who wishes that Dissent Rights be exercised in respect of its FGH Shares should immediately contact its intermediary with whom the beneficial holder of FGH Shares deals.

A vote against the Arrangement Resolution or not voting on the Arrangement Resolution does not constitute a written objection for purposes of the notice of dissent under Section 242 of the BCBCA.

If FGH intends to act on the authority of the Arrangement Resolution, it must send a notice (the "**Notice to Proceed**") to the FGH Shareholder validly exercising its Dissent Rights promptly after the later of the date on which FGH forms the intention to proceed and the date the notice of dissent was received. If FGH has acted on the Arrangement Resolution, it must promptly send a Notice to Proceed to each such FGH Shareholder. The Notice to Proceed will set out the manner in which the dissent is to be completed. A FGH Shareholder who receives a Notice to Proceed, and who wishes to proceed with the dissent, must, within one month after the date of the Notice to Proceed, send a written statement to FGH requiring Flora Growth to purchase the FGH Shareholder's FGH Shares, the certificates representing the FGH Shares, if applicable, and any other applicable information required by Section 244 of the BCBCA.

Flora Growth and the Dissenting Shareholder may agree on the amount of the payout value of the FGH Shares. If Flora Growth and the Dissenting Shareholder do not agree on the amount of the payout value of the FGH Shares, the Dissenting Shareholder or Flora Growth may apply to a court of competent jurisdiction and the court may determine the payout value. On agreement or determination of the payout value, Flora Growth must either promptly pay that amount to the Dissenting Shareholder or send a notice to the Dissenting Shareholder that Flora Growth is unable lawfully to pay the Dissenting Shareholders exercising their Dissent Rights for their FGH Shares as Flora Growth is insolvent or the payment would render Flora Growth insolvent. If the Dissenting Shareholder receives a notice that Flora Growth is unable to lawfully pay Dissenting Shareholders for their FGH Shares, the Dissenting Shareholder may, within 30 days after receipt, withdraw his, her or its notice of dissent. If the notice of dissent is not withdrawn, the Dissenting Shareholder remains a claimant against Flora Growth to be paid as soon as Flora Growth is lawfully able to do so.

Issuance and Resale of Securities Issued to FGH Shareholders as Consideration Under the Arrangement

Canada

The distribution of Flora Shares pursuant to the Arrangement will constitute a distribution of securities which is exempt from the prospectus requirements of applicable Canadian Securities Laws and is exempt from or otherwise not subject to the registration requirements under applicable U.S. Securities Laws. The Flora Shares received by FGH Shareholders pursuant to the Arrangement will not carry a statutory legend and may be resold through registered dealers in each of the provinces of Canada, provided that (a) the trade is not a "control distribution" as defined NI 45-102; (b) no unusual effort is made to prepare the market or to create a demand for Flora Shares; (c) no extraordinary commission or consideration is paid to a Person in respect of such sale; and (d) if the selling securityholder is an insider or officer of Flora Growth, the selling securityholder has no reasonable grounds to believe that Flora Growth is in default of applicable Securities Laws.

Each FGH Shareholder is urged to consult his or her professional advisors to determine the Canadian conditions and restrictions applicable to trades in Flora Shares issued to such FGH Shareholders as consideration under the Arrangement.

United States Securities Law Considerations

The following discussion is a general overview of certain requirements of U.S. federal securities laws that may be applicable to FGH Shareholders in the United States. All FGH Shareholders in the United States are urged to consult with their own legal counsel to ensure that any subsequent resale of Flora Shares to be received in exchange for their FGH Shares pursuant to the Arrangement complies with applicable Securities Laws, including blue-sky Laws that may be applicable to the Flora Shares received under the Arrangement.

The discussions presented herein do not address the U.S. Securities Laws for persons who are "affiliates" (as defined in Rule 144 under the U.S. Securities Act) of Flora Growth other than as expressly referenced herein. A general description of who may be included in the definition of "affiliate" is set forth under "*Resales of Flora Shares after the Effective Date*", below. Further information applicable to FGH Shareholders in the United States is disclosed under the heading "*Notice to Securityholders in the United States*".

The following discussion does not address the Canadian Securities Laws that will apply to the issue of Flora Shares into the United States or the resale of these securities within Canada by FGH Shareholders in the United States. FGH Shareholders in the United States reselling their Flora Shares in Canada must comply with Canadian Securities Laws, as outlined elsewhere in this Circular, and should confirm that any such sales comply with an exemption from registration under the U.S. Securities Act, as further discussed below.

Exemption from the Registration Requirements of the U.S. Securities Act

The offer and issuance of Flora Shares to be received by FGH Shareholders in exchange for their FGH Shares pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act or the Securities Laws of any state of the United States and will be issued in reliance upon the Section 3(a)(10) Exemption and exemptions provided under the Securities Laws of each state of the United States in which FGH Shareholders reside, described above as "state blue-sky laws". The Section 3(a)(10) Exemption exempts the issuance of any securities issued in exchange for one or more *bona fide* outstanding securities from the general requirement of registration under the U.S. Securities Act where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the procedural and substantive fairness of the terms and conditions of such issuance and exchange at which all persons to whom it is proposed to issue the securities have the right to appear and receive timely and adequate notice thereof. The Court is authorized to conduct a hearing at which the procedural and substantive fairness of the terms and conditions of the Arrangement will be considered. The Court issued the Interim Order on November 14, 2022 and, subject to the approval of the Arrangement by the FGH Shareholders, a hearing in respect of the Final Order for the Arrangement will be held on December 16, 2022 at 9:45 a.m. (Vancouver time), or as soon thereafter as counsel may be heard, before the Court at the courthouse at 800 Smithe Street, Vancouver, British Columbia. All FGH Shareholders are entitled to appear and be heard at this hearing. Accordingly, the Final Order will, if granted, constitute a basis for reliance on the Section 3(a)(10) Exemption with respect to the Flora Shares to be received by FGH Shareholders in exchange for their FGH Shares pursuant to the Arrangement. To the extent state blue-sky laws are applicable to any offers or sales of Flora Shares made in any state or territory of the United States, Flora Growth is expected to rely on available exemptions under such Laws.

Resales of Flora Shares After the Effective Date

The Flora Shares to be received by FGH Shareholders in exchange for their FGH Shares pursuant to the Arrangement will be freely transferable under U.S. federal securities laws, except by persons who are "affiliates" of Flora Growth after the Effective Date, or were "affiliates" (as defined in Rule 144 under the U.S. Securities Act) of Flora Growth within 90 days prior to the Effective Date. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract, or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer.

Any resale of Flora Shares by such an affiliate (or, if applicable, former affiliate) will be subject to the registration requirements of the U.S. Securities Act, absent an exemption therefrom. Subject to certain limitations, such affiliates (and former affiliates) may immediately resell such Flora Shares outside the United States without registration under the U.S. Securities Act pursuant to Regulation S. In addition, such affiliates (and former affiliates) may also resell Flora Shares pursuant to Rule 144, if available.

Resales by Affiliates Pursuant to Rule 144

In general, pursuant to Rule 144, persons who are "affiliates" of Flora Growth after the Effective Date, or were "affiliates" of Flora Growth within 90 days prior to the Effective Date, will be entitled to sell in the United States those Flora Shares that they receive pursuant to the Arrangement, provided that, during any three-month period, the number of such securities sold does not exceed the greater of one percent of the then outstanding securities of such class or, if such securities are listed on a United States securities exchange and/or reported through the automated quotation system of a U.S. registered securities association, the average weekly trading volume of such securities during the four calendar week period preceding the date of sale, subject to specified restrictions on manner of sale requirements, aggregation rules, notice filing requirements and the availability of current public information about the issuer required under Rule 144. Persons who are "affiliates" of Flora Growth after the Effective Date or who were "affiliates" of Flora Growth during such period should consult with their respective securities counsel before engaging in offers or sales of Flora Shares issued pursuant to the Arrangement.

Resales by Affiliates Pursuant to Regulation S

In general, pursuant to Regulation S, if at the Effective Date, Flora Growth is a "foreign private issuer" (as defined in Rule 3b-4 under the U.S. Exchange Act), persons who are "affiliates" of Flora Growth after the Effective Date, or were "affiliates" of Flora Growth within 90 days prior to the Effective Date, solely by virtue of their status as an officer or director of Flora Growth, may sell their Flora Shares outside the United States in an "offshore transaction" if none of the seller, an affiliate or any person acting on their behalf engages in "directed selling efforts" in the United States with respect to such securities and provided that no selling concession, fee or other remuneration is paid in connection with such sale other than the usual and customary broker's commission that would be received by a person executing such transaction as agent. For purposes of Regulation S, "directed selling efforts" means any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered. Also, for purposes of Regulation S, an offer or sale of securities is made in an "offshore transaction" if the offer is not made to a person in the United States and either (a) at the time the buy order is originated, the buyer is outside the United States, or the seller reasonably believes that the buyer is outside of the United States, or (b) the transaction is executed in, on or through the facilities of a "designated offshore securities market", and neither the seller nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States. Certain additional restrictions set forth in Rule 903 of Regulation S are applicable to sales outside the United States by a holder of Flora Shares who is an "affiliate" of Flora Growth after the Effective Date, or was an "affiliate" of Flora Growth within 90 days prior to the Effective Date, other than by virtue of his or her status as an officer or director of Flora Growth.

FGH Shareholders are urged to consult their own legal counsel before proceeding with any sale or transfer of Flora Shares post-closing.

90-Day Transfer Restriction

Pursuant to the Plan of Arrangement, until the date that is 90 calendar days following the Effective Date, the Consideration Shares issued by Flora Growth to former FGH Shareholders in connection with the Arrangement may not be transferred without the consent of Flora Growth, except that a former FGH Shareholder (or a permitted transferee thereof), in relation to the Flora Shares owned beneficially or of record by it, may: (a) mortgage or charge such Flora Shares as collateral for a loan; (b) exercise voting rights attaching to such Flora Shares; (c) receive dividends or other distributions on such Flora Shares; (d) transfer, sell or tender such Flora Shares pursuant to a take-over bid (as defined in the Securities Act) or any similar transaction, including without limitation a merger, arrangement or amalgamation, involving a change of control of Flora; (e) transfer such Flora Shares to any nominee or custodian (including a trust) where there is no change in beneficial ownership (other than a change in beneficial ownership resulting from a transfer to a trust for the direct or indirect benefit of the immediate family members of the former FGH Shareholder (or a permitted transferee thereof)); (f) effect such sales as may be required pursuant to the withholding rights in the Plan of Arrangement; or (g) where the former FGH Shareholder (or a permitted transferee thereof) is a corporate entity, a transfer to an affiliate or a shareholder of that former FGH Shareholder (or permitted transferee thereof); provided that any permitted transferee will be subject to the restrictions set out above.

Pursuant to the Plan of Arrangement, any certificates representing the Consideration Shares issued by Flora Growth to former FGH Shareholders in connection with the Arrangement or any "direct registration system" statements or advice representing such Consideration Shares will carry (or be deemed to carry) a restrictive legend providing for a restriction on trading such Consideration Shares as set out above.

SUMMARY OF MATERIAL AGREEMENTS

The Arrangement Agreement

The following describes the material provisions of the Arrangement Agreement but does not purport to be complete and may not contain all of the information about the Arrangement Agreement that is important to a particular FGH Shareholder. This summary is qualified in its entirety by reference to the Arrangement Agreement. FGH Shareholders are urged to read, in their entirety, the Arrangement Agreement, a copy of which is available under the issuer profile of FGH on SEDAR at www.sedar.com, and the Plan of Arrangement, a copy of which is attached to this Circular as Appendix "D".

In reviewing the Arrangement Agreement and this summary, readers are advised that this summary has been included to provide FGH Shareholders with information regarding the terms of the Arrangement Agreement and is not intended to provide any other factual information about FGH, Flora Growth or any of their respective Subsidiaries or affiliates. The Arrangement Agreement contains representations and warranties and covenants by each of FGH and Flora Growth, which are summarized below. These representations, warranties and covenants have been made solely for the benefit of the other Party and:

(a) were not intended as statements of fact, but rather, as a means of allocating risks between the Parties if those statements prove to be inaccurate;

(b) have been qualified by certain confidential disclosures that were made to the other Party in connection with the negotiation of the Arrangement Agreement, which disclosures are not reflected in the Arrangement Agreement; and

(c) may apply standards of materiality that are different from what may be viewed as material by FGH Shareholders, Flora Shareholders or other investors.

Moreover, information concerning the subject matter of the representations and warranties in the Arrangement Agreement and described below may have changed since the date of the Arrangement Agreement and subsequent developments may have been included in this Circular. Accordingly, the representations and warranties and other provisions of the Arrangement Agreement should not be read on their own, but instead with the information contained elsewhere in this Circular and in the documents incorporated by reference herein.

On October 21, 2022, FGH and Flora Growth entered into the Arrangement Agreement. The Arrangement Agreement provides for, among other things, and subject to the terms and conditions set forth in the Arrangement Agreement, the exchange of FGH Shares for a minimum of 36,515,060 and a maximum of 43,525,951 Flora Shares, resulting in exchange ratio ranging between approximately 0.2441 of a Flora Share and 0.3235 of a Flora Share for each FGH Share (with the final exchange ratio to be determined based on the number of FGH Shares outstanding on the Closing Date and Flora Growth's 20-day VWAP as of market close on the third Business Day prior to the Closing Date). The terms of the Arrangement Agreement are the result of arm's length negotiations among representatives of FGH and Flora Growth and their respective legal and financial advisors.

Effective Date and Conditions of Arrangement

If the Arrangement Resolution is passed, the Final Order of the Court is obtained approving the Arrangement, every requirement of the BCBCA relating to the Arrangement has been complied with and all other conditions are met or waived, the Arrangement will become effective at the Effective Time on the Effective Date. It is currently expected that the Effective Date will be on or before December 31, 2022.

Conditions to Arrangement Becoming Effective

In order for the Arrangement to become effective, certain conditions must have been satisfied or waived. These conditions are summarized below.

Mutual Conditions

The respective obligations of FGH and Flora Growth to complete the Arrangement are subject to the fulfillment or waiver of certain conditions on or before the Effective Time, including the following:

(a) the Arrangement Resolution shall have been approved and adopted by the FGH Shareholders at the Meeting in accordance with the Interim Order;

(b) the Interim Order and the Final Order shall have each been obtained on terms consistent with the Arrangement Agreement, and shall not have been set aside or modified in a manner unacceptable to either FGH or Flora Growth, each acting reasonably, on appeal or otherwise;

(c) the necessary conditional approvals or equivalent approvals, as the case may be, of the Nasdaq and TSXV have been obtained, including in respect of the listing of the Consideration Shares on the Nasdaq;

(d) the issuance of the Consideration Shares shall be exempt from the registration requirements of the U.S. Securities Act pursuant to section 3(a)(10) thereof; and

(e) no Law is in effect that makes the completion of the Arrangement illegal or otherwise prohibits or enjoins FGH or Flora Growth from completing the Arrangement.

Conditions in Favour of Flora Growth

The obligation of Flora Growth to complete the transactions contemplated in the Arrangement Agreement is subject to the fulfillment or waiver on or before the Effective Time of certain additional conditions, including the following:

(a) the representations and warranties of FGH shall be true and correct in all respects, or in all material respects, as specified in the Arrangement Agreement, as of the Effective Time (except that any representation and warranty that speaks specifically of another date shall be true and correct as of such date), and with respect to certain representations and warranties except to the extent the failure thereof to be so true and correct, individually or in the aggregate, would not have a Material Adverse Effect;

(b) all covenants of FGH under the Arrangement Agreement to be performed on or before the Effective Date shall have been duly performed by FGH in all material respects;

(c) holders of no more than five percent (5%) of the FGH Shares shall have exercised Dissent Rights;

(d) since the date of the Arrangement Agreement, there shall not have occurred a Material Adverse Effect in respect of FGH that has not been cured;

(e) FGH shall not have set a record date for, or otherwise declared, set aside or paid any dividend or distribution on the FGH Shares;

(f) all third person and other consents, waivers, permits, exemptions, orders, approvals, agreements and amendments and modifications to agreements, indentures or arrangements, the failure of

which to obtain or the non-expiry of which would, or could reasonably be expected to, have a Material Adverse Effect on the Company or materially impede the completion of the Arrangement, shall have been obtained or received on terms that are reasonably satisfactory to Flora Growth;

(g) the directors and officers of the Company shall have delivered a resignation and release to the Company, in form and substance acceptable to the Parties, each acting reasonably;

(h) none of the Voting Support Agreements shall have been terminated; and

(i) Fees described in the FGH Disclosure Letter shall have been fully paid and settled in FGH Shares, which shall be issued prior to the Effective Time.

Conditions in Favour of FGH

The obligation of FGH to complete the transactions contemplated in the Arrangement Agreement is subject to the fulfillment or waiver on or before the Effective Time of certain additional conditions, including the following:

(a) the representations and warranties of Flora Growth shall be true and correct in all respects, or in all material respects, as specified in the Arrangement Agreement, as of the Effective Time (except that any representation and warranty that speaks specifically of another date shall be true and correct as of such date), and with respect to certain representations and warranties except to the extent the failure thereof to be so true and correct, individually or in the aggregate, would not have a Material Adverse Effect;

(b) all covenants of Flora Growth under the Arrangement Agreement to be performed on or before the Effective Time shall have been duly performed by Flora Growth in all material respects;

(c) subject to obtaining the Final Order and the satisfaction or waiver of the other conditions precedent of the Arrangement Agreement, Flora Growth shall have complied with its obligations to deposit the Flora Shares to be issued as consideration to the FGH Shareholders and the Depositary shall have confirmed to FGH receipt from or on behalf of Flora Growth of the Flora Shares;

(d) since the date of the Arrangement Agreement, there shall not have occurred a Material Adverse Effect in respect of Flora Growth that has not been cured; and

(e) all third person and other consents, waivers, permits, exemptions, orders, approvals, agreements and amendments and modifications to agreements, indentures or arrangements, the failure of which to obtain or the non-expiry of which would, or could reasonably be expected to, have a Material Adverse Effect on the Flora Growth or materially impede the completion of the Arrangement, shall have been obtained or received on terms that are reasonably satisfactory to FGH;

Representations and Warranties

The representations and warranties made by FGH and its Subsidiaries in favour of Flora Growth relate to, among other things: (a) the due organization, qualification, existence and power and authority of FGH to own, lease and operate its assets and to carry on its business; (b) the corporate power and authority of FGH to enter into the Arrangement Agreement and perform its obligations thereunder; (c) the due execution of and the binding obligation on FGH of the Arrangement Agreement; (d) not requiring any order, permit approval, consent, waiver or similar authorization by any Governmental Entity, other than the Interim Order and the Final Order, filings under the BCBCA or filings with Securities Authorities or the TSXV; (e) non-contravention of any of FGH's Constating Documents, Law applicable to FGH, material contract or material authorization as a result of the execution, delivery and performance by FGH of its obligations under the Arrangement Agreement and the consummation of

the Arrangement, or creation or imposition of a lien upon the property or assets of FGH; (f) the capitalization of FGH; (g) FGH's ownership of its Subsidiaries; (h) agreements relating to ownership, registration, transfer or voting of securities of FGH; (i) reporting issuer status, compliance with the requirements of TSXV and other Securities Law matters; (j) FGH's financial statements; (k) FGH's disclosure controls and internal control over financial reporting; (l) the independence of FGH's auditors and absence of "reportable events"; (m) the absence of undisclosed liabilities; (n) no long-term and derivative transactions; (o) the absence of undisclosed related party transactions; (p) the absence of any undisclosed "collateral benefit"; (q) compliance of FGH and its Subsidiaries with all applicable Laws; (r) matters related to FGH holding and the good status of the required authorizations and licences; (s) performance under, and matters relating to FGH's Material Contracts; (t) matters relating to FGH's ownership and good standing of intellectual property and matters related to data privacy and cybersecurity; (u) compliance under certain U.S. Securities Laws; (v) no expropriation by Governmental Entities; (w) absence of undisclosed work programs or joint ventures; (x) valid title to material properties and assets and absence of certain agreements relating to the acquisition of any interest in FGH's material properties and assets; (y) disclosure of litigation matters and other Legal Proceedings; (z) environmental matters; (aa) employees and employment matters; (bb) matters relating to labour employment including absence of any Collective Agreements; (cc) matters relating to employee plans; (dd) disclosure of FGH's insurance; (ee) matters relating to Taxes; (ff) no bankruptcy and insolvency of FGH; (gg) receipt of the Fairness Opinion; (hh) brokers; (ii) no ownership of Flora Shares by FGH and certain related persons; (jj) matters relating to FGH Board approval; (kk) matters related to anti-bribery and corruption; (ll) matters relating to economic sanctions and export controls; (mm) leased properties; and (nn) real properties.

The representations and warranties made by Flora Growth and its Subsidiaries in favour of FGH relate to, among other things: (a) the due organization, qualification, existence and power and authority of Flora Growth to own, lease and operate its assets and to carry on its business; (b) the corporate power and authority of Flora Growth to enter into the Arrangement Agreement and perform its obligations thereunder; (c) approval of the Arrangement Agreement by the Flora Board; (d) the due execution of and the binding obligation on Flora Growth of the Arrangement Agreement; (e) non-contravention of any of Flora Growth's Constating Documents, Law applicable to Flora Growth or material contract as a result of the execution, delivery and performance by Flora Growth of its obligations under the Arrangement Agreement and the consummation of the Arrangement; (f) the capitalization of Flora Growth; (g) valid issuance of Consideration Shares as fully paid and non-assessable when issued; (h) no ownership of FGH Shares by Flora Growth and certain related persons; (i) reporting issuer status, compliance with requirements of Nasdaq and other Securities Law matters; (j) Flora Growth's financial statements; (k) the absence of undisclosed liabilities; (l) compliance of Flora Growth with all applicable Laws; (m) environmental matters; (n) matters related to authorizations and licences; (o) no expropriation by Governmental Entities; (p) litigation matters and other Legal Proceedings; (q) tax status of Flora Growth and other matters relating to Taxes; (r) no bankruptcy and insolvency of Flora Growth; (s) no questionable payments; and (t) status of Flora Growth under the Investment Canada Act.

Covenants

In the Arrangement Agreement, each of FGH and Flora Growth have agreed to certain covenants, including customary positive and negative covenants relating to conducting their businesses, and using commercially reasonable efforts to satisfy conditions precedent to their respective obligations under the Arrangement Agreement. Additionally, FGH has agreed to certain covenants in relation to preparation of this Circular and convening and conducting the Meeting. The Arrangement Agreement additionally includes covenants with respect to, among other things, interim period consents; condition precedents; third party or other consents, waivers, permits, exemptions, orders, approvals, agreements, amendments or confirmations; registration of filings; Regulatory Approvals; access to information and confidentiality; public communications; notice and cure provisions; and insurance and indemnification. For the complete text of the applicable provisions, see Article 4 [*Covenants*] of the Arrangement Agreement.

Covenants Regarding the Conduct of FGH's Business

Prior to the Effective Date and subject to certain limited exceptions set out in the Arrangement Agreement, FGH has agreed to conduct its business in the Ordinary Course and in accordance with applicable Law.

FGH has agreed to a number of restrictions regarding the conduct of its business, subject to certain exceptions. Among other things, subject to certain limited exceptions, FGH is restricted from:

(a) amending its Constating Documents;

(b) splitting, combining, subdividing or reclassifying any shares of its authorized share structure or other equity interests;

(c) declaring, setting aside or paying any dividend or other distribution on any shares of its authorized share structure or other equity interests (whether in cash, stock or property or any combination thereof);

(d) redeeming, repurchasing, or otherwise acquiring or offering to redeem, repurchase or otherwise acquire any shares of its capital stock or other equity interests or any of its outstanding securities;

(e) issuing, delivering, selling, pledging or otherwise encumbering, or authorizing the issuance, delivery, sale, pledge or other encumbrance of any shares of its authorized share structure or other equity or voting interests, or any options, warrants or similar rights exercisable or exchangeable for or convertible into such shares or other equity or voting interests, except for: (i) the issuance of FGH Shares issuable upon the exercise or settlement, as the case may be, of FGH Options, FGH RSUs or Agent Compensation Options outstanding on the date of the Arrangement Agreement; (ii) from the date of the Arrangement Agreement until December 1, 2022, the issuance of additional FGH RSUs; and (iii) from the date of the Arrangement Agreement until December 1, 2022, the issuance of FGH Shares in settlement of any claims, provided that, in any event, the total issued and outstanding FGH Shares outstanding immediately prior to the Effective Time shall not exceed 149,563,674;

(f) reorganizing, arranging, restructuring, amalgamating or merging the Company or any of its Subsidiaries;

(g) adopting a plan of or resolutions providing for the complete or partial liquidation or dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or any of its Subsidiaries;

(h) acquiring (by merger, consolidation, acquisition of stock or assets or otherwise), or committing to acquire, directly or indirectly, in one transaction or in a series of related transactions, assets, securities, properties, interests or businesses other than in the Ordinary Course;

(i) selling, pledging, leasing, licensing, encumbering (other than a permitted lien) or otherwise transfer any assets of the Company or any of its Subsidiaries or any interest in any assets of the Company and its Subsidiaries, other than assets sold in the Ordinary Course or assets that are obsolete, damaged or destroyed;

(j) making any capital expenditure or commitment to do so outside of the Ordinary Course;

(k) abandoning or failing to diligently pursue any application for any material Authorizations, leases, permits or registrations for the Company or any of its Subsidiaries or take any action, or fail to

take any action, that could lead to the termination of any material Authorizations, leases or registrations of the Company or any of its Subsidiaries;

(l) except as contemplated in the Arrangement Agreement, allowing the Company or any of its Subsidiaries to (i) amend or modify in any material respect, or terminate or waive any material right under, any Material Contract, (ii) enter into any contract or agreement that would be a Material Contract if in effect on the date of the Arrangement Agreement; or (iii) make any bid or tender after the date of the Arrangement Agreement which, if accepted, would result in the Company being obligated to enter into a contract that would be a Material Contract if in effect on the date of the Arrangement Agreement (other than the renewal of a Contract in existence on the date of the Arrangement Agreement on terms materially consistent with terms in existence on the date of the Arrangement Agreement);

(m) entering into any new, or amending the terms of any existing, lease, sublease, license, occupancy agreement or other agreement with respect to any real property;

(n) in respect of any assets of the Company and its Subsidiaries, waive, release, surrender, abandon, let lapse, grant or transfer any material right or amend, modify or change or agree to amend, modify or change, any existing material Authorization, right to use, lease, Material Contract or intellectual property of the Company and its Subsidiaries;

(o) except as contemplated in Section 4.9 [*Insurance and Indemnification*] of the Arrangement Agreement, and except for renewals in the Ordinary Course, amend, modify, terminate, cancel or let lapse any material insurance (or re-insurance) policy of the Company or any Subsidiary in effect on the date of the Arrangement Agreement, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage substantially similar to or greater than the coverage under the terminated, cancelled or lapsed policies are in full force and effect and the Company shall provide notice to Flora Growth in respect thereof;

(p) prepay any long-term indebtedness before its scheduled maturity or create, incur, assume or otherwise become liable for any indebtedness for borrowed money or guarantees thereof other than (i) indebtedness owing by one wholly-owned Subsidiary of the Company to the Company or another wholly-owned Subsidiary of the Company, or (ii) indebtedness entered into at the request of Flora Growth, in connection with the Arrangement, or where Flora Growth or any of its Affiliates is the lender;

(q) making, changing or revoking any loan or advance to, or any capital contribution or investment in, or assuming, guaranteeing or otherwise becoming liable with respect to the liabilities or obligations of, any Person other than advances and capital contributions to wholly-owned Subsidiaries of the Company in the Ordinary Course or guarantees of the Company or a Subsidiary to Flora Growth or any of its Affiliates in connection with loans from Flora Growth or any of its Affiliates;

(r) entering into any interest rate, currency, equity or commodity swaps, hedges, derivatives, forward sales contracts or similar financial instruments;

(s) taking any action, knowingly permitting any inaction or knowingly entering into any transaction that would have the effect of preventing Flora Growth from obtaining a full tax cost "bump" pursuant to paragraphs 88(1)(c) and (d) of the Tax Act in respect of the non-depreciable capital property owned by the Company or a Subsidiary of the Company for the purposes of the Tax Act upon an amalgamation with the Company or such Subsidiary or a winding-up of the Company or such Subsidiary into Flora Growth (or successor by amalgamation);

(t) making, changing or revoking any material Tax election or designation, settle or compromise any material Tax claim, assessment, reassessment or liability, file any amended Tax Return, entering into, cancelling or modifying any material agreement with a Governmental Entity with respect to Taxes, surrendering any right to claim a material Tax abatement, reduction, deduction, exemption, credit or refund, consenting to the extension or waiver of the limitation period applicable to any material Tax matter or materially amending or changing any of its methods or periods of reporting income, deductions or accounting for income Tax purposes, in each case, except as may be required by applicable Law;

(u) making any change in the Company's methods of accounting, except as required by concurrent changes in IFRS or as otherwise required by applicable Law;

(v) (i) making, or promising to make, any changes to any Collective Agreement, Employee Plan (other than changes to Employee Plans that are, in the opinion of the Company, necessary or desirable to give effect to or implement the Arrangement), written employment agreements and/or any other terms and conditions of employment applicable to any Company Employee, including granting, or promising to grant, any general increase in the rate of wages, salaries, benefits, bonuses or other remuneration of any Company Employees or independent contractor or making, or promising to make, any bonus or profit sharing distribution or similar payment of any kind, or adopting, or promising to adopt, or otherwise implement any employee or executive bonus or retention plan or program, except as required by the terms of any Collective Agreement, Employee Plan, written employment agreements or applicable Law, and/or offer employment to or hire any new Company Employees (other than any offers of employment or hiring in the Ordinary Course); or (ii) announcing, implementing or effecting any reduction in force, lay-off or early retirement program, severance program or other similar program or effort concerning the termination of employment of Company Employees (other than employee terminations in the Ordinary Course);

(w) except as may be required by applicable Law or the terms of any existing Employee Plan provided to Flora Growth prior to the date of the Arrangement Agreement (as such Employee Plans may be amended as, in the opinion of the Company, necessary or desirable to give effect to or implement the Arrangement) or any Contract (including, for greater certainty, in connection with any termination for cause): (i) increase any severance, change of control or termination pay to (or amend any existing arrangement with) any Company Employee or any director of the Company or any of its Subsidiaries; (ii) enter into any employment, deferred compensation or other similar agreement (or amend any such existing agreement) with any director or officer or senior manager of the Company or, other than in the Ordinary Course, any Company Employee (other than a director or officer or senior manager); (iii) enter into any employment, deferred compensation or other similar agreement (or amend any such existing agreement) with any Company Employee; (iv) increase compensation, retention or incentive compensation or other benefits payable to any director or officer of the Company or any of its Subsidiaries or, other than in the Ordinary Course, any Company Employee (other than a director or officer); (v) loan or advance money or other property by the Company or its Subsidiaries to any of their present or former directors, officers or Company Employees; (vi) terminate (other than for cause) or encourage the resignation of any Company Employee; or (vii) increase, or agree to increase, any funding obligation or accelerate, or agree to accelerate, the timing of any funding contribution under any Employee Plan;

(x) adopting any new material Employee Plan or making any material amendments or improvements to any Employee Plan, except as required by Law or amendments to Employee Plans that are, in the opinion of the Company, necessary or desirable to give effect to or implement the Arrangement;

(y) cancelling, waiving, releasing, assigning, settling or compromising any material claims or rights;

(z) commencing, waiving, releasing, assigning, settling, compromising or settling any litigation, proceeding or governmental investigation that is material or which imposes material restrictions on the operations of the Company or any of its Subsidiaries;

(aa) entering into or amending any Contract with any broker, finder or investment banker, including any amendment of the engagement letters with the Financial Advisor; or

(bb) authorizing, agreeing, resolving or otherwise committing, whether or not in writing, to do any of the foregoing.

Covenants of FGH Relating to the Arrangement

FGH has also agreed with Flora Growth that it will perform, and cause its Subsidiaries to perform, all obligations required or desirable to be performed by FGH or any of its Subsidiaries under the Arrangement Agreement, cooperate with Flora Growth in connection therewith and do or cause to be done all such acts and things as may be necessary or desirable in order to consummate and make effective the transactions contemplated by the Arrangement, including:

(a) use commercially reasonable efforts to obtain and maintain all third party or other consents, waivers, permits, exemptions, orders, approvals, agreements, amendments or confirmations that are (i) required under the Material Contracts in connection with the Arrangement or (ii) required in order to maintain the Material Contracts in full force and effect following completion of the Arrangement, in each case, on terms that are reasonably satisfactory to Flora Growth, and without paying, and without committing itself or Flora Growth to pay, any consideration or incur any liability or obligation without the prior written consent of Flora Growth, such consent not to be unreasonably withheld, conditioned or delayed;

(b) use commercially reasonable efforts, upon consultation with Flora Growth, to oppose, lift or rescind any injunction, restraining or other order, decree or ruling seeking to restrain, enjoin or otherwise prohibit or adversely affect the completion of the Arrangement and defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging the Arrangement or the Arrangement Agreement, provided that neither the Company nor any of its Subsidiaries will consent to the entry of any judgment or settlement with respect to any such proceeding without the prior written approval of Flora Growth, such approval not to be unreasonably withheld, conditioned or delayed;

(c) use its commercially reasonable efforts to promptly satisfy all conditions precedent in the Arrangement Agreement;

(d) carry out the terms of the Interim Order and the Final Order applicable to the Company and comply promptly with all requirements imposed by applicable Law on the Company or its Subsidiaries with respect to the Arrangement Agreement or the Arrangement;

(e) not take any action, or refrain from taking any commercially reasonable action, or permit any action to be taken or not taken, which is inconsistent with the Arrangement Agreement or which would reasonably be expected to prevent, materially delay or otherwise impede the completion of the Arrangement; and

(f) subject to confirmation that insurance coverage is maintained or purchased in accordance with Section 4.9 [*Insurance and Indemnification*] of the Arrangement Agreement and delivery by the Company and each member of the FGH Board and each officer of mutual releases from all claims and potential claims in respect of the period prior to the Effective Time (subject to customary exceptions), use commercially reason able efforts to assist in effecting the resignations of each of

the Company's and its Subsidiary's respective directors and officers designated by Flora Growth, and cause them to be replaced as of the Effective Date by individuals nominated by Flora Growth.

FGH shall promptly notify Flora Growth of:

(a) the occurrence of any Material Adverse Effect in respect of the Company after the date of the Arrangement Agreement;

(b) any notice or other communication from any Person alleging (i) that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such Person is required in connection with the Arrangement Agreement or the Arrangement, or (ii) that such Person is terminating, may terminate, or is otherwise materially adversely modifying or may materially adversely modify its relationship with the Company or any of its Subsidiaries as a result of the Arrangement or the Arrangement Agreement;

(c) unless prohibited by applicable Law, any notice or other communication from any Governmental Entity in connection with the Arrangement Agreement (and the Company shall contemporaneously provide a copy of any such written notice or communication to Flora Growth); or

(d) any material filing, actions, suits, claims, investigations or proceedings commenced or, to the knowledge of the Company, threatened against, relating to or involving or otherwise affecting the Company or its Subsidiaries in connection with the Arrangement or the Arrangement Agreement.

Covenants Regarding the Conduct of Flora Growth's Business

Prior to the Effective Date and subject to certain limited exceptions set out in the Arrangement Agreement, Flora Growth has agreed to conduct its business in the Ordinary Course and in accordance with applicable Law.

Flora Growth has agreed to a number of restrictions regarding the conduct of its business, subject to certain exceptions. Among other things, subject to certain limited exceptions, Flora Growth is restricted from:

(a) amending its Constating Documents, or amending or proposing to amend the terms of the Flora Shares;

(b) issue, sell, grant or agree to or authorize any issue, sale or grant of, any Flora Shares or other securities of the Purchaser (other than (i) the issue of Flora Shares pursuant to options, warrants, convertible securities and other rights to acquire Flora Shares in accordance with their terms, (ii) securities issued pursuant to any awards which may be granted under Flora`s equity incentive plans as such plans exist on the date of the Arrangement Agreement, (iii) pursuant to other existing obligations as of the date of the Arrangement Agreement as disclosed in the Flora Filings, and (iv) pursuant to an equity financing of Flora Growth for gross proceeds not to exceed US$15,000,000;

(c) reduce its stated capital, or split, combine, subdivide or reclassify any of the Flora Shares or propose a rights offering of securities to the holders of the Flora Shares;

(d) adopt a plan of or resolutions, or enter into any agreement, providing directly or indirectly for the complete or partial liquidation or dissolution, merger, consolidation, restructuring, recapitalization, or sale of all or substantially all of the assets, of Flora Growth; or

(e) take any action, or refrain from taking any action (subject to commercially reasonable efforts), or permit any action to be taken or not taken, inconsistent with the provisions of the Arrangement

Agreement or that would reasonably be expected to materially impede the completion of the transactions contemplated thereby.

Covenants of Flora Growth Relating to the Arrangement

Flora Growth has also agreed with FGH that it will perform, and cause its Subsidiaries to perform, all obligations required or desirable to be performed by Flora Growth or any of its Subsidiaries under the Arrangement Agreement, cooperate with FGH in connection therewith and do or cause to be done all such acts and things as may be necessary or desirable in order to consummate and make effective the transactions contemplated by the Arrangement, including:

(a) use its commercially reasonable efforts, upon reasonable consultation with the Company, to oppose, lift or rescind any injunction, restraining or other order, decree or ruling seeking to restrain, enjoin or otherwise prohibit or adversely affect the completion of the Arrangement and defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging the Arrangement or the Arrangement Agreement;

(b) use its commercially reasonable efforts to satisfy all conditions precedent in the Arrangement Agreement;

(c) carry out the terms of the Interim Order and the Final Order applicable to Flora Growth and comply promptly with all requirements imposed by applicable Law on Flora Growth or with respect to this Agreement or the Arrangement;

(d) ensure that the Flora Shares to be issued pursuant to the Arrangement (i) will have been duly authorized and, upon issue, will be validly issued as fully paid and non-assessable shares in the capital of Flora Growth and (ii) will not be issued in violation of the Constating Documents of Flora Growth or any material agreement, contract, covenant, undertaking or commitment to which Flora Growth is bound; and

(e) make application for and use its commercially reasonable efforts to obtain conditional approval for the listing and posting for trading on the Nasdaq of the Flora Shares to be issued pursuant to the Arrangement and otherwise comply with the Nasdaq requirements relevant to the Arrangement.

Flora Growth shall promptly notify the Company of:

(a) the occurrence of any Material Adverse Effect in respect of Flora Growth after the date of the Arrangement Agreement;

(b) any notice or other communication from any Person alleging that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such Person is required in connection with the Arrangement Agreement or the Arrangement;

(c) unless prohibited by applicable Law, any notice or other communication from any Governmental Entity in connection with the Arrangement Agreement (and Flora Growth shall contemporaneously provide a copy of any such written notice or communication to the Company); or

(d) any material filing, actions, suits, claims, investigations or proceedings commenced or, to the knowledge of Flora Growth, threatened against, relating to or involving or otherwise affecting Flora Growth or its Subsidiaries in connection with the Arrangement Agreement or the Arrangement.

FGH Covenants Regarding Non-Solicitation

Pursuant to, and subject to certain exceptions in, the Arrangement Agreement, FGH has agreed to not, directly or indirectly, through any officer, director, employee, representative (including financial or other advisor) or agent of the Company or of any of its Subsidiaries (collectively "**Representatives**"):

(a) make, solicit, initiate, encourage or otherwise knowingly facilitate (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of the Company or any Subsidiary) any inquiry, proposal or offer that constitutes or would reasonably be expected to constitute or lead to, an Acquisition Proposal;

(b) enter into or otherwise engage or participate in any discussions or negotiations with any Person (other than Flora Growth or any Person acting jointly or in concert with Flora Growth) or provide any information regarding any inquiry, proposal or offer that constitutes or would reasonably be expected to lead to, an Acquisition Proposal, or otherwise co-operate in any manner with, or assist or participate in, knowingly facilitate or encourage, any effort or attempt by any other person to make or complete any Acquisition Proposal, provided that the Company may (i) communicate with any Person for the sole purpose of clarifying the terms and conditions of any inquiry, proposal or offer made by such Person, (ii) advise any Person of the restrictions of the Arrangement Agreement, and (iii) advise any Person making an Acquisition Proposal that the FGH Board has determined that such Acquisition Proposal does not constitute, or is not reasonably expected to constitute or lead to, a Superior Proposal;

(c) make a Change in Recommendation;

(d) accept, approve, endorse or recommend, or publicly propose to accept, approve, endorse or recommend, or take no position or remain neutral with respect to, any Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to an Acquisition Proposal for a period of no more than five Business Days following the announcement of such Acquisition Proposal will not be considered to be in violation of the Arrangement Agreement provided the FGH Board has rejected such Acquisition Proposal and affirmed the FGH Board Recommendation before the end of such five Business Day period); or

(e) enter into or publicly propose to enter into any Contract in respect of an Acquisition Proposal (other than a confidentiality agreement permitted by, and in accordance with, the Arrangement Agreement).

The Company has agreed to, and has agreed to cause its Subsidiaries and its Representatives to, immediately cease and terminate, and cause to be terminated, any solicitation, encouragement, discussion, negotiations or other activities commenced prior to the date of the Arrangement Agreement with any Person (other than with Flora Growth and its Affiliates) with respect to any inquiry, proposal or offer that constitutes or would reasonably be expected to constitute or lead to, an Acquisition Proposal, and in connection with such termination, FGH has agreed to:

(a) discontinue access to and disclosure of all information, if any, to any such Person, including any data room and any confidential information, properties, facilities, books and records of the Company or any Subsidiary; and

(b) promptly request, and exercise all rights it has to require (i) the return or destruction of all copies of any confidential information regarding the Company or any Subsidiary provided to any Person other than Flora Growth, and (ii) the destruction of all material including or incorporating or otherwise reflecting such confidential information regarding the Company or any Subsidiary, to the extent that such information has not previously been returned or destroyed, using its

commercially reasonable efforts to ensure that such requests are fully complied with to the extent the Company is entitled.

FGH has covenanted and agreed not to release any Person from, or waive, amend, suspend or otherwise modify such Person's obligations respecting FGH, under any confidentiality, standstill or similar agreement or restriction to which FGH or any of its Subsidiaries is a party (it being acknowledged by Flora Growth that the automatic termination or release of any restrictions of any such agreements as a result of entering into and announcing the Arrangement Agreement will not be a violation of the Arrangement Agreement).

Notification of and Responding to Acquisition Proposals

If the Company or any of its Subsidiaries, or any of their respective Representatives, receives or becomes aware of any inquiry, proposal, request or offer that constitutes or would reasonably be expected to lead to, or that is otherwise in respect of, an Acquisition Proposal, or any request for copies of, access to, or disclosure of, confidential information or for access to properties, books and records of and relating to the Company or any Subsidiary in connection with any proposal that constitutes or would reasonably be expected to lead to, or that is otherwise in respect of, an Acquisition Proposal, including but not limited to information, access, or disclosure relating to the properties, facilities, books or records of the Company or any Subsidiary, the Company shall:

(a) promptly notify Flora Growth, at first orally, and then as soon as practicable (and in any event within 24 hours) in writing, of such Acquisition Proposal, inquiry, proposal, offer or request, including a description of its terms and conditions, the identity of all Persons making the Acquisition Proposal, inquiry, proposal, offer or request (including amendments thereto), and copies of all agreements, documents, correspondence or other material received in respect thereof, from or on behalf of any such Person; and

(b) keep Flora Growth reasonably informed of the status of all developments and negotiations with respect to such Acquisition Proposal, inquiry, proposal, offer or request, including any changes, modifications or other amendments to any such Acquisition Proposal, inquiry, proposal, offer or request, and shall respond as promptly as practicable to Flora Growth's reasonable questions with respect thereto.

Notwithstanding the Arrangement Agreement, if at any time, prior to obtaining the approval by the FGH Shareholders of the Arrangement Resolution, the Company receives a *bona fide* written Acquisition Proposal, the Company may engage in or participate in discussions with such Person regarding such Acquisition Proposal, and may provide such Person copies of, access to or disclosure of information, properties, facilities, books or records of the Company or its Subsidiaries, if and only if:

(a) the FGH Board first determines in good faith, after consultation with its financial advisors and its outside legal counsel, that such Acquisition Proposal constitutes or would reasonably be expected to constitute or lead to a Superior Proposal;

(b) such Person was not restricted from making such Acquisition Proposal pursuant to an existing standstill or similar restriction;

(c) prior to providing any such copies, access, or disclosure, the Company enters into a confidentiality and standstill agreement with such Person having terms that are not less onerous than those set out in the LOI (unless such Person is already party to a confidentiality and standstill agreement on such terms) and any such copies, access or disclosure provided to such Person shall have already been (or shall reasonably promptly be) provided to Flora Growth;

(d) the Company is not in breach of its non-solicitation covenants under the Arrangement Agreement; and

(e) the Company promptly provides the Purchaser with, prior to providing any such copies, access or disclosure, a true, complete and final executed copy of the confidentiality and standstill agreement referred to in (c) directly above.

Flora Growth Right to Match

If after the date of the Arrangement Agreement and prior to the approval of the Arrangement Resolution by the FGH Shareholders the Company receives an Acquisition Proposal that constitutes a Superior Proposal, the Board may: (A) authorize the Company to enter into a definitive agreement with respect to such Acquisition Proposal and (B) withdraw, modify, qualify or change in a manner adverse to Flora Growth its approval or recommendation of the Arrangement and recommend or approve an Acquisition Proposal that is a Superior Proposal, if and only if:

(a) the Person making the Superior Proposal was not restricted from making such Superior Proposal pursuant to an existing standstill, confidentiality or similar restriction;

(b) the Company has delivered to Flora Growth a written notice of the good faith determination of the FGH Board, after consultation with its financial advisors and its outside legal counsel, that such Acquisition Proposal constitutes a Superior Proposal and of the intention of the FGH Board to enter into such definitive agreement, together with a copy of the definitive agreement for the Superior Proposal and disclosure of the value, expressed in dollars, that the FGH Board has, in consultation with its financial advisors, determined should be ascribed to any non-cash consideration offered under the Superior Proposal (collectively, the "**Superior Proposal Notice**");

(c) at least five Business Days (the "**Matching Period**") have elapsed from the date that is the later of the date on which Flora Growth received the Superior Proposal Notice and a copy of the proposed definitive agreement for the Superior Proposal from the Company;

(d) during any Matching Period, Flora Growth has had the opportunity (but not the obligation), to offer to amend the Arrangement Agreement and the Arrangement in order for such Acquisition Proposal to cease to be a Superior Proposal;

(e) if the Flora Growth has offered to amend the Arrangement Agreement and the Arrangement, the FGH Board has determined in good faith, after consultation with the Company's financial advisors and outside legal counsel, that such Acquisition Proposal continues to constitute a Superior Proposal;

(f) the Company did not breach its non-solicitation covenants under the Arrangement Agreement in connection with the preparation or making of such Superior Proposal and the Company has been and continues to be in compliance with such non-solicitation covenants; and

(g) prior to, or concurrently with, entering into such definitive agreement, the Company terminates the Arrangement Agreement in accordance with its terms and pays the Termination Amount to Flora Growth, as described below.

During the Matching Period, or such longer period as may be approved by FGH, the FGH Board shall review any offer made by Flora Growth to amend the terms of the Arrangement Agreement and the Arrangement in good faith and in consultation with its outside legal advisors in order to determine whether such a proposal would, upon acceptance, result in the Acquisition Proposal ceasing to be a Superior Proposal, and if it would no longer constitute a Superior Proposal, FGH shall negotiate in good faith with Flora Growth to make such amendments thereto to enable Flora Growth to proceed with the transactions contemplated by the Arrangement Agreement on such amended terms, and if the Acquisition Proposal ceases to be a Superior Proposal, FGH and Flora Growth will amend the Arrangement Agreement to reflect such amended terms.

Each successive amendment to an Acquisition Proposal that results in an increase in, or modification to the consideration (or value of such consideration) to be received by FGH Shareholders or other material terms or conditions thereof shall constitute a new Acquisition Proposal, and Flora Growth shall be afforded an additional five-Business Day Matching Period from the date on which Flora Growth receives the Superior Proposal Notice.

If FGH provides a Superior Proposal Notice to Flora Growth on a date that is less than ten Business Days before the Meeting, FGH may, and shall at the request of Flora Growth, postpone the Meeting to a date that is not more than ten Business Days after the scheduled date of the Meeting (but prior to the Outside Date).

Termination

The Arrangement Agreement may be terminated prior to the Effective Time in certain circumstances, including:

(a) by mutual written agreement of Flora Growth and FGH;

(b) by either Flora Growth or FGH, if

(i) the requisite approval by FGH Shareholders of the Arrangement Resolution is not obtained at the Meeting in accordance with the Interim Order, provided that a Party may not terminate the Arrangement Agreement if the failure to obtain such approval by FGH Shareholders has been caused by, or is a result of the breach of such Party's representations and warranties or failure of such Party to perform any of its covenants or agreements under the Arrangement Agreement;

(ii) after the date of the Arrangement Agreement, any Law is enacted, made, enforced, issued or amended, as applicable, that makes the completion of the Arrangement illegal or otherwise prohibits or enjoins the Company or Flora Growth from completing the Arrangement, and such Law has, if applicable, become final and non-appealable, provided the Party seeking to terminate the Arrangement Agreement in this regard has used its commercially reasonable efforts to appeal or overturn such Law or otherwise have it lifted or rendered non-applicable in respect of the Arrangement; or

(iii) the Effective Time does not occur on or prior to the Outside Date, provided that a Party may not terminate the Arrangement Agreement if the failure of the Effective Time to so occur has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under the Arrangement Agreement;

(c) by Flora Growth, if:

(i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of FGH under the Arrangement Agreement occurs that would cause any condition with respect to representation and warranties of FGH or covenants of FGH under the Arrangement Agreement not to be satisfied, and such breach or failure is incapable of being cured or is not cured on or prior to the Outside Date; provided that Flora Growth is not then in breach of the Arrangement Agreement so as to cause any mutual conditions of the Parties or conditions of FGH under the Arrangement Agreement not to be satisfied;

(ii) the FGH Board or any committee of the FGH Board fails to unanimously (with any interested directors having abstained from voting) recommend or withdraws, amends, modifies or qualifies in a manner adverse to Flora Growth or publicly proposes or states its intention to do any of the foregoing, or fails to publicly reaffirm (without qualification)

within five Business Days after having been requested in writing by Flora Growth, acting reasonably, to do so, the FGH Board Recommendation, or takes no position or a neutral position with respect to a publicly announced Acquisition Proposal for more than five Business Days after such Acquisition Proposal's public announcement or FGH breaches the non-solicitation covenants in the Arrangement Agreement in any material respect; or

(iii) there has occurred a Material Adverse Effect in respect of FGH that is incapable of being cured on or prior to the Outside Date.

(d) by FGH, if:

(i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Flora Growth under the Arrangement Agreement occurs that would cause any condition with respect to the representations and warranties of Flora Growth or covenants of Flora Growth under the Arrangement Agreement not to be satisfied, and such breach or failure is incapable of being cured or is not cured on or prior to the Outside Date; provided that FGH is not then in breach of the Arrangement Agreement so as to cause any mutual conditions of the Parties or conditions of Flora Growth under the Arrangement Agreement not to be satisfied;

(ii) prior to the approval by the FGH Shareholders of the Arrangement Resolution, the FGH Board authorizes FGH to enter into a definitive written agreement (other than a confidentiality agreement) with respect to a Superior Proposal and prior to or concurrently with such termination FGH (or another Person on behalf of FGH) pays the Termination Amount in accordance with the terms of the Arrangement Agreement in consideration for the disposition of Flora Growth's rights under the Arrangement Agreement;

(iii) subject to obtaining the Final Order and the satisfaction or waiver of the other conditions precedent contained in the Arrangement Agreement in its favour (other than conditions which, by their nature, are only capable of being satisfied as of the Effective Time), Flora Growth does not provide or cause to be provided to the Depositary sufficient Flora Shares to be issued to the FGH Shareholders pursuant to the Arrangement;

(iv) there has occurred a Material Adverse Effect in respect of Flora Growth that is incapable of being cured on or prior to the Outside Date.

Termination Payment

FGH will be obligated to pay to Flora Growth $1,000,000 (the "**Termination Amount**") in the event that the Arrangement Agreement is terminated due to the following (note that for the purposes of this section, the term "Acquisition Proposal" has the meaning assigned to this term in the Glossary of Terms of this Circular, except that references to "20% or more" should be read as references to "50% or more"):

(a) failure of the FGH Board to provide the FGH Board Recommendation or makes a Change in Recommendation;

(b) FGH breaches the non-solicitation provisions of the Arrangement Agreement;

(c) FGH's acceptance of a Superior Proposal; or

(d) FGH Shareholder Approval not being obtained at the Meeting if (i) prior to such termination, an Acquisition Proposal is proposed, offered, made or publicly announced by any Person other than Flora Growth (and such Acquisition Proposal has not expired or been withdrawn at least five

Business Days prior to the Meeting); and (ii) within 12 months following the date of such termination, (i) an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal) is completed, or (iii) FGH or its Subsidiaries enters into a definitive agreement in respect of an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal) and such Acquisition Proposal is later completed (whether or not within 12 months after such termination).

Expense Reimbursement

Except as otherwise provided in the Arrangement Agreement, all out-of-pocket third party transaction expenses incurred in connection with the Arrangement Agreement and the Plan of Arrangement, including all costs, expenses and fees of FGH or Flora Growth incurred prior to or after the Effective Date in connection with, or incidental to, the Plan of Arrangement, shall be paid by the Party incurring such expenses, whether or not the Arrangement is consummated.

Notwithstanding the foregoing, if the Arrangement Agreement is terminated by a Party as a result of a breach by the other Party of its representations or warranties or a failure to perform a covenant by that Party, then such Party must pay to the terminating Party the sum of $300,000 (the "**Expense Reimbursement Amount**") in connection with the Arrangement Agreement as reimbursement for costs and expenses incurred by or on behalf of such terminating Party in connection with the Arrangement Agreement and the transactions contemplated thereby.

If circumstances arise where a Party is required both to pay the Termination Amount and the Expense Reimbursement Amount, the Expense Reimbursement Amount will be credited against the Termination Amount.

Voting Support Agreements

Concurrently with the execution of the Arrangement Agreement, all of the directors and officers of FGH entered into Voting Support Agreements with Flora Growth pursuant to which each such Person has agreed to, among other things, support the Arrangement and vote his or her FGH Shares in favour of the Arrangement Resolution. Subsequent to the execution of the Arrangement Agreement, additional FGH Shareholders entered into Voting Support Agreements with Flora Growth. As of the Record Date, FGH Shareholders, together with their associates and affiliates owning, or exercising control or direction over, an aggregate of 99,366,066 FGH Shares, representing approximately 73.8% of the issued and outstanding FGH Shares as of the Record Date, are party to Voting Support Agreements.

Each FGH Shareholder party to a Voting Support Agreement has agreed, among other things, that they must not, among other things, directly or indirectly: (a) solicit, assist, knowingly initiate, encourage or facilitate any inquiries, proposals or offers regarding, or recommend an Acquisition Proposal; (b) sell, transfer or encumber any FGH Shares; or (c) exercise any Dissent Rights.

Among other customary termination events, a Voting Support Agreement may be terminated with the mutual consent of Flora Growth and the respective FGH Shareholder party to the Voting Support Agreement, or by either of them if the Arrangement Agreement is terminated in accordance with its terms, or by the FGH Shareholder party thereto if, without such FGH Shareholder's prior written consent, the Arrangement Agreement is amended in any material respect in such a manner that would be materially adverse to the interests of the FGH Shareholder, including without limitation, to provide for any decrease in the Consideration set out in the Arrangement Agreement otherwise than pursuant to adjustments provided for in the Arrangement Agreement.

The form of Voting Support Agreement executed by Clifford Starke, the Chief Executive Officer, Director and Executive Chairman of the Company, included additional provisions relating to the Starke Indemnity (as defined and discussed below under "*Indemnity Provided by Clifford Starke*") as well as certain nomination rights with respect to the Flora Board as discussed under "*Interest of Certain Persons in Matters to be Acted Upon – The Starke Nominees*".

Indemnity Provided by Clifford Starke

Clifford Starke, the Chief Executive Officer, Director and Executive Chairman of the Company, provided an indemnity (the "**Starke Indemnity**") to Flora Growth in the form of Voting Support Agreement executed by him and his Affiliates (collectively, the "**Starke Entities**"). Pursuant to the Starke Indemnity, the Starke Entities have agreed to, jointly and severally, indemnify, defend, hold harmless and save each of the Company, Flora Growth and their respective affiliates, successors, shareholders, directors, officers, employees, agents, representatives and equityholders (collectively, the "**Acquiror Indemnitees**") harmless of and from and against any and all Losses (as defined below), and shall pay for, any damages suffered by, imposed upon or asserted against it or any of them as a result of, in respect of, connected with, or arising out of, under, or pursuant to:

(a) any Losses that are related to the ownership or the operation of the Company and its Canadian subsidiaries, in each case prior to the closing of the Arrangement, that are unknown to Flora Growth and that: (i) have not been disclosed or accounted for in the FGH Filings; or (ii) have not been disclosed in the FGH Disclosure Letter, in each case as at the date of the Arrangement Agreement;

(b) any Losses that may arise from amounts owed or that may become owed to certain Persons or in respect of certain matters identified in the Starke Indemnity;

(c) any fraud, intentional misrepresentation, willful breach, or willful misconduct on the part of the Company or any Starke Entity of any of the foregoing in connection with the Starke Indemnity or the Arrangement Agreement.

The term "**Loss**" is defined in the Starke Indemnity to mean, with respect to any Person at the time of determination, any damage, injury, decline in value, lost opportunity, lost profit, liability, claim, action, deficiency, demand, settlement, order, award, payment, recovery, fine, penalty, insurance premium increase, tax, encumbrance, assessment fee (including any legal fee, expert fee, accounting fee, or advisory fee), charge, disbursement, remediation, cost, interest, expense (including any cost of investigation, penalty, fee, disbursement of counsel or expense of any nature) or other loss suffered or incurred by such Person, including consequential damages (i.e., any loss or damages resulting from a breach of contract that does not directly and naturally result in the ordinary course of events but instead arises from special circumstances not ordinarily predictable or in the contemplation of the parties to the Starke Indemnity) but excluding punitive damages (except to the extent that any such damages are part of any order against the Acquiror Indemnitee in connection with a Third Party Claim (as defined below).

The Starke Entities are only obligated to make payment for Losses for indemnification up to a maximum amount of US$5,000,000, provided that the foregoing limit shall not apply to, and the Starke Entities will be liable for all Losses with respect to, any claims involving fraud or fraudulent or intentional misrepresentation. The obligation of the Starke Entities to make payment for Losses shall survive closing of the Arrangement and remain in full force and effect until the date that is one year from the Effective Date, provided that certain claims for indemnification in relation to certain matters, including any claim involving fraud, fraudulent or intentional misrepresentation, willful breach, or willful misconduct, shall survive indefinitely.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes, as of the date of this Circular, the principal Canadian federal income tax considerations under the Tax Act of the Arrangement generally applicable to a beneficial owner of FGH Shares who, at all relevant times, for the purposes of the Tax Act: (i) holds such FGH Shares and will hold any Flora Shares acquired under the Arrangement as capital property; (ii) deals at arm's length with FGH and Flora Growth; and (iii) is not affiliated with FGH or Flora Growth (a "**Holder**"). FGH Shares and Flora Shares, as the case may be, will generally be considered capital property to a Holder for purposes of the Tax Act provided the Holder does not use or hold such shares in the course of carrying on a business of trading or dealing in securities and has not acquired such shares in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and an understanding of the current published administrative policies and assessing practices of the CRA. This summary assumes that the Tax Proposals will be enacted in the form proposed; however, no assurance can be given that the Tax Proposals will be enacted as proposed or at all. This summary does not otherwise take into account or anticipate any changes in law or the CRA's administrative policies or assessing practices, whether by legislative, governmental or judicial decision or action, nor does it take into account any provincial, territorial or foreign income tax legislation or considerations. This summary assumes that each of FGH and Flora Growth are, at all times, a "taxable Canadian corporation" within the meaning of the Tax Act.

This summary is not applicable to a Holder: (i) that is a "financial institution" as defined in the Tax Act for the purposes of the "mark-to-market property" rules contained in the Tax Act; (ii) that is a "specified financial institution" as defined in the Tax Act; (iii) an interest in which is a "tax shelter investment" as defined in the Tax Act; (iv) that has elected to determine its "Canadian tax results" in a currency other than Canadian currency pursuant to the "functional currency reporting" rules in the Tax Act; (v) that has entered into, or will enter into, a "derivative forward agreement" or "synthetic disposition arrangement", each as defined in the Tax Act, in respect of FGH Shares or Flora Shares, as applicable; (vi) that is exempt from tax under Part I of the Tax Act; (vii) that receives dividends on the Flora Shares under or as part of a "dividend rental agreement" as defined in the Tax Act; (viii) that is a "foreign affiliate", as defined in the Tax Act, of a taxpayer resident in Canada; (ix) that immediately following the acquisition of FGH Shares by Flora Growth pursuant to the Arrangement will, either alone or together with persons that such Holder does not deal at arm's length (for purposes of the Tax Act), either control Flora Growth or beneficially own shares of Flora Growth which have a fair market value in excess of 50% of all the outstanding capital stock of Flora Growth; or (x) who acquired any FGH Shares upon the exercise of an employee stock option or other employee compensation plan. Such Holders should consult their own tax advisors with respect to the Arrangement.

In addition, this summary does not address the income tax considerations of the Arrangement applicable to Holders of: (i) FGH Options; (ii) Agent Compensation Options; or (iii) FGH RSUs. Holders of such securities should consult with their own tax advisors.

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada and is, or becomes or does not deal at arm's length with a corporation resident in Canada, that is or becomes as part of a transaction or event or series of transactions or events that includes the Arrangement, controlled by a non-resident person or a group of non-resident persons not dealing with each other at arm's length for the purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such Holders should consult their own tax advisors.

Generally, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of securities (including dividends, adjusted cost base and proceeds of disposition) must be converted into Canadian dollars based on exchange rates as determined in accordance with the Tax Act. As a result, the amount of dividends to be included in the income of, and the amount of capital gains or capital losses realized by, a Holder of Flora Shares may be affected by fluctuation in the Canadian/U.S. dollar exchange.

This summary is of a general nature only, and is not exhaustive of all possible Canadian federal income tax considerations. This summary is not intended to be, and should not be construed to be, legal, tax, or business advice to any particular Holder. Consequently, Holders should consult their own tax advisors regarding the tax consequences applicable to them in their particular circumstances.

Holders Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for the purposes of the Tax Act and any applicable tax treaty or convention, is, or is deemed to be, resident in Canada (a "**Resident Holder**").

Certain Resident Holders whose FGH Shares or Flora Shares might not otherwise qualify as capital property may be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have those shares and any other "Canadian security", as defined in the Tax Act, owned in the year of the election and any subsequent taxation year, deemed to be capital property. Resident Holders contemplating making such an election are urged to consult their own tax advisors with respect to whether such election is available or advisable having regard to their own particular circumstances.

Exchange of FGH Shares for Flora Shares

Pursuant to the Arrangement, a Resident Holder, other than a Dissenting Resident Holder (as defined below) will exchange the Holder's FGH Shares for Flora Shares. Such Resident Holder will be deemed to have disposed of such FGH Shares under a tax-deferred share-for-share exchange under section 85.1 of the Tax Act. More specifically, the Resident Holder will be deemed to have disposed of the FGH Shares for proceeds of disposition equal to the adjusted cost base of the FGH Shares to such Resident Holder, determined immediately before the Effective Time, and the Resident Holder will be deemed to have acquired the Flora Shares at an aggregate cost equal to such adjusted cost base of the FGH Shares. This cost will be averaged with the adjusted cost base of all other Flora Shares (if any) held by the Resident Holder as capital property immediately before the disposition for the purpose of determining the adjusted cost base of each Flora Share held by the Resident Holder. This deferral will not apply where the Resident Holder has, in the Resident Holder's income tax return for the taxation year in which the exchange occurs, included in computing its income any portion of the gain (or loss), otherwise determined, arising on the exchange.

A Resident Holder who exchanges FGH Shares for Flora Shares pursuant to the Arrangement and who elects to include for the taxation year the exchange occurs any portion of the gain (or loss) otherwise arising, such capital gain (or capital loss) will be equal to the amount by which the fair market value of the Flora Shares received on the exchange of FGH Shares (determined at the time of the exchange) exceeds (or is less than) the aggregate of the adjusted cost base to the Resident Holder of such FGH Share, determined immediately before the Effective Time, and any reasonable costs of disposition. The amount of any capital loss realized by a Resident Holder that is a corporation, trust or partnership may be denied in certain cases where such holder acquired the FGH Shares in a transaction subject to the stop-loss rules described in the Tax Act. For a description of the tax treatment of capital gains and capital losses, see "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*" below. The cost of the Flora Shares acquired on the exchange will be equal to the fair market value thereof in these circumstances. This cost will be averaged with the adjusted cost base of all other Flora Shares held by the Resident Holder as capital property immediately before the disposition for the purpose of determining the adjusted cost base of such Flora Shares.

Dividends Received on Flora Shares

A Resident Holder will be required to include in computing its income for a taxation year any dividends received or deemed to be received on such holder's Flora Shares in the taxation year. In the case of a Resident Holder who is an individual (other than certain trusts) such dividends will generally be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit rules applicable to any dividends designated by Flora Growth as "eligible dividends", as defined in the Tax Act, in accordance with the provisions of the Tax Act. There may be limitations on the ability of Flora Growth to designate dividends as eligible dividends.

A dividend received (or deemed to be received) by a Resident Holder that is a corporation will generally be deductible in computing the corporation's taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Holder that is a corporation as proceeds of a disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A corporation that is a "private corporation" or a "subject corporation" (as defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax on any dividend that it receives or is deemed to receive on Flora Shares to the extent that the dividend is deducible in computing the corporation's taxable income.

Taxable dividends received by an individual or trust, other than certain specified trusts, may give rise to minimum tax as calculated under the detailed rules set out in the Tax Act.

Disposing of Flora Shares

Generally, on a disposition or deemed disposition by a Resident Holder of a Flora Share, the Resident Holder will realize a capital gain (or a capital loss) equal to the amount, if any, by which the proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base to the Resident Holder of the Flora Share immediately before the disposition or deemed disposition and any reasonable costs of disposition. For a description of the tax treatment of capital gains and capital losses, see "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada - Taxation of Capital Gains and Capital Losses*" below.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Resident Holder in a taxation year must be included in the income of the Resident Holder for that year, and one-half of any capital loss (an "**allowable capital loss**") realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year, to the extent and under the circumstances described in the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a share may be reduced by the amount of certain dividends received, or deemed to have been received, by the Resident Holder on such share (or on another share for which such share is substituted or exchanged) to the extent and under the circumstances described in the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns a share or where a trust or partnership of which a corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns any such share. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) throughout its taxation year may be liable to pay a refundable tax on its "aggregate investment income" (as defined in the Tax Act), which generally includes interest and net taxable capital gains. On August 9, 2022, the Minister of Finance (Canada) released certain Tax Proposals to amend the Tax Act to extend the liability for refundable tax on aggregate investment income to a Resident Holder that is a "substantive CCPC" (as defined in such Tax Proposals). Any such Resident Holder should consult with their own tax advisors in this regard.

Capital gains realized by an individual (including certain trusts) may give rise to a liability for minimum tax as calculated under the detailed rules set out in the Tax Act.

Dissenting Resident Holders

A Resident Holder who exercises Dissent Rights in respect of the Arrangement (a "**Dissenting Resident Holder**") and who disposes of FGH Shares in consideration for a cash payment from Flora Growth will generally be considered to have disposed of such FGH Shares for proceeds of disposition equal to the amount received by the Dissenting Resident Holder (excluding any portion of the payment that is interest awarded by a court). The Dissenting Resident Holder will therefore realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Dissenting Resident Holder's FGH Shares. See "Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada - *Taxation of Capital Gains and Capital Losses*" above.

A Dissenting Resident Holder will be required to include in computing its income for the purposes of the Tax Act any interest awarded by a court in connection with the Arrangement.

A Dissenting Resident Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) through its taxation year may be liable to pay a refundable tax on its "aggregate investment income" (as defined in the Tax Act), which generally includes interest and net taxable capital gains. On August 9, 2022, the Minister of Finance (Canada) released certain Tax Proposals to amend to Tax Act to amend the Tax Act to extend the liability for refundable tax on aggregate investment income to a Dissenting Resident Holder that is a "substantive CCPC" (as defined in such Tax Proposals).

Any such Dissenting Resident Holder should consult with their own tax advisors with respect to the Canadian federal income tax consequences of exercising their Dissent Rights.

Eligibility for Investment

Provided that the Flora Shares are, at the Effective Time and at all relevant times, listed on a "designated stock exchange" for purposes of the Tax Act (which currently includes Nasdaq), the Flora Shares will be a "qualified investment" under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a registered disability savings plan, a tax-free savings account (each a "**Registered Plan**"), or a deferred profit sharing plan.

Notwithstanding that a Flora Share may be a qualified investment for trusts governed by a Registered Plan, the annuitant, holder or subscriber (the "**Controlling Individual**") of, or under, the Registered Plan will be subject to a penalty tax on the share if it is a "prohibited investment" (as defined in subsection 207.01(1) of the Tax Act). A Flora Share will generally not be a "prohibited investment" for a Registered Plan provided that the Controlling Individual of the Registered Plan: (i) deals at arm's length with Flora Growth for purposes of the Tax Act and does not have a "significant interest" (as defined in subsection 207.01(4) of the Tax Act) in Flora Growth, or (ii) Flora Shares are "excluded property" (as defined in subsection 207.01(1) of the Tax Act) for the Registered Plan.

Based on Tax Proposals released on August 9, 2022, it is expected that the Flora Shares would also be a qualified investment for a trust governed by a first home savings account ("**FHSA**") provided the conditions described above in relation to Registered Plans are satisfied. Holders of FHSAs would also be subject to the prohibited investment rules described above. The Tax Proposals relating to FHSA are proposed to become effective at some point in 2023.

Resident Holders who intend to hold Flora Shares in a Registered Plan, deferred profit sharing plan, or a FHSA should consult their own tax advisors regarding the application of these rules in their particular circumstances.

Holders Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for the purposes of the Tax Act and any applicable income tax treaty or convention, is not, and is not deemed to be, resident in Canada and does not use or hold, and is not deemed to use or hold, FGH Shares or Flora Shares in a business carried or deemed to be carried on in Canada (a "**Non-Resident Holder**"). Special rules, which are not discussed in this summary, may apply to a Holder that is an insurer carrying on an insurance business in Canada and elsewhere or an "authorized foreign bank" (as defined in the Tax Act) and such Holders are urged to consult their own tax advisors.

Exchange of FGH Shares for Flora Shares

FGH Shares held by Non-Resident Holders, other than Dissenting Non-Resident Holders, as defined below, will be exchanged for Flora Shares as part of the Arrangement. Such exchange will generally occur on a tax-deferred basis, unless the Non-Resident Holder chooses to recognize a capital gain or capital loss.

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on a disposition or deemed disposition of a FGH Share, unless: (i) the FGH Share is "taxable Canadian property" of the Non-Resident Holder for purposes of the Tax Act; and (ii) the Non-Resident Holder is not entitled to an exemption under an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident.

Provided that, at the time of disposition, the FGH Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the TSXV and Nasdaq) a FGH Share will not constitute taxable Canadian property of a Non-Resident Holder at that time, unless at any time during the 60-month period immediately preceding that time: (i) one or any combination of (a) the Non-Resident Holder, (b) Persons with whom the Non-Resident Holder does not deal at arm's length, and (c) partnerships in which the Non-Resident Holder or a Person described in (b) holds a membership interest directly or indirectly through one or more partnerships, owned 25% or more of the issued shares of any class or series of the capital stock of FGH; and (ii) more than 50% of the fair market value of such share was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource property (as defined in the Tax Act), timber resource property (as defined in the Tax Act), and options in respect of, or interests in, or civil law rights in, any such properties (whether or not such property exists). In addition, FGH Shares may be deemed to be "taxable Canadian property" for the purposes of the Tax Act of a Non-Resident Holder in certain circumstances.

In the event that FGH Shares are or are deemed to be "taxable Canadian property" of the Non-Resident Holder and the Non-Resident Holder is not entitled to an exemption under an applicable income tax treaty or convention, the consequences to such Non-Resident Holder will be substantially the same as those described above under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Exchange of FGH Shares for Flora Shares*" as if the Non-Resident Holder were a Resident Holder thereunder.

Non-Resident Holders who dispose of FGH Shares that are, or may be, "taxable Canadian property" should consult their own tax advisors concerning the Canadian income tax consequences of the disposition and the potential requirement to file a Canadian income tax return depending on their particular circumstances.

Dividends Received on the Flora Shares

Dividends paid or credited, or deemed to be paid or credited, on a Non-Resident Holder's Flora Shares will be subject to withholding tax under the Tax Act at a rate of 25% unless the rate is reduced under the provisions of an applicable income tax treaty or convention. In the case of a beneficial owner of dividends who is a resident of the United States for purposes of the Canada – United States Tax Convention (1980), as amended, and who is entitled to the benefits of that treaty, the rate of withholding will generally be reduced to 15% (or 5% in the case of a company beneficially owning at least 10% of Flora Growth voting shares). The Multilateral Convention to

Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting of which Canada is a signatory, affects many of Canada's bilateral tax treaties (but not the Canada –United States Tax Convention (1980)), including the ability to claim benefits thereunder. **Non-Resident Holders should consult their own tax advisors in this regard.**

Disposing of Flora Shares

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on a disposition or deemed disposition of a Flora Share, unless: (i) the Flora Share is "taxable Canadian property" of the Non-Resident Holder at the time of disposition or deemed disposition for purposes of the Tax Act; and (ii) the Non-Resident Holder is not entitled to an exemption under an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident.

The circumstances in which Flora Shares may constitute taxable Canadian property of a Non-Resident Holder will generally be the same as described above under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Exchange of FGH Shares for Flora Shares*". In addition, where a Non-Resident Holder acquires Flora Shares in exchange for FGH Shares that are taxable Canadian property of such Non-Resident Holder, the Flora Shares will be deemed to be taxable Canadian property for the 60-month period that commences on the Effective Date.

In the event that Flora Shares are or are deemed to be taxable Canadian property of a Non-Resident Holder and the Non-Resident Holder is not entitled to an exemption under an applicable income tax treaty or convention between Canada and the country in which the Non-Resident Holder is resident, the consequences to such Non-Resident Holder will be substantially the same as those described above in the second paragraph under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Disposing of Flora Shares*" as if the Non-Resident Holder were a Resident Holder thereunder.

Non-Resident Holders who dispose of Flora Shares that are, or may be, "taxable Canadian property" should consult their own tax advisors concerning the Canadian income tax consequences of the disposition and the potential requirement to file a Canadian income tax return depending on their particular circumstance.

Dissenting Non-Resident Holders

A Non-Resident Holder who exercises Dissent Rights in respect of the Arrangement (a "**Dissenting Non-Resident Holder**") and disposes of Flora Growth Shares to Flora Growth in consideration for cash payment from Flora Growth will generally be considered to have disposed of the FGH Shares for proceeds of disposition equal to the amount received by the Dissenting Non-Resident Holder (excluding any portion of the payment that is interest awarded by a court). Accordingly, the Dissenting Non-Resident Holder will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition exceed (or are exceeded by) the aggregate adjusted cost base of the FGH Shares to the Dissenting Non-Resident Holder immediately before the disposition. A Dissenting Non-Resident Holder will generally not be subject to income tax under the Tax Act in respect of any capital gain realized on a disposition of FGH Shares pursuant to the exercise of their Dissent Rights unless such FGH Shares are, or are deemed to be, taxable Canadian property to such Dissenting Non-Resident Holder, as discussed above under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Exchange of FGH Shares for Flora Shares*", and the Non-Resident Holder is not entitled to an exemption from tax under the Tax Act pursuant to the terms of an applicable income tax treaty or convention between Canada and the country in which the Dissenting Non-Resident Holder is resident. Dissenting Non-Resident Holders whose FGH Shares may constitute taxable Canadian property should consult their own tax advisors.

Where a Dissenting Non-Resident Holder receives interest in connection with the exercise of Dissent Rights in respect of the Arrangement, the interest will not be subject to Canadian withholding tax under the Tax Act.

RISK FACTORS

FGH Shareholders who vote in favour of the Arrangement Resolution are voting in favour of combining the businesses of FGH and Flora Growth. Accordingly, FGH Shareholders are making an investment decision with respect to Flora Shares. FGH Shareholders should carefully consider the risk factors set out below relating to the Arrangement and the proposed combination of the businesses of FGH and Flora Growth. FGH Shareholders should also carefully consider the risk factors contained in the documents incorporated by reference in this Circular. Additionally, for further information on risks and uncertainties relating to the business of Flora Growth, see "*Information Concerning Flora Growth*". Readers are cautioned that such risk factors are not exhaustive and additional risks and uncertainties, including those currently unknown or not considered material to FGH or Flora Growth, may also adversely affect the Arrangement, FGH or Flora Growth prior to the completion of the Arrangement or the combined businesses following the completion of the Arrangement.

Risk Factors Relating to the Arrangement

The Arrangement may not be completed.

Each of FGH and Flora Growth has the right to terminate the Arrangement Agreement in certain circumstances. Accordingly, there is no certainty that the Arrangement will be completed in accordance with the terms of the Arrangement Agreement or the Plan of Arrangement, or at all.

In addition, the completion of the Arrangement is subject to a number of conditions precedent, some of which are outside of the control of FGH or Flora Growth. The Arrangement is conditional upon, among other things, the approval of the Arrangement Resolution, the requisite actions being taken to list the Flora Shares issuable pursuant to the Arrangement on Nasdaq and approval of the Court. There can be no assurance that any or all such approvals will be obtained. A substantial delay in obtaining satisfactory approvals or the imposition of unfavourable terms or conditions in any such approvals could have an adverse effect on the business, financial condition or results of operations of FGH.

The market value of the Flora Shares that FGH Shareholders receive in connection with the Arrangement may be less than the value of the FGH Shares as of the date of the Arrangement Agreement or the date of the Meeting.

The FGH Shareholders will receive a number Flora Shares bounded by upper and lower collars under the Arrangement rather than Flora Shares with a fixed market value in all cases. The market value of Flora Shares received under the Arrangement may vary significantly from the market value of Flora Shares at the date the Arrangement Agreement was entered into. There can be no assurance that the market price of Flora Shares on the Effective Date will not be lower than the market price of Flora Shares on the date the Arrangement Agreement was executed or that the market value of the Flora Shares that FGH Shareholders may receive on the Effective Date will equal or exceed the market value of the FGH Shares held by such FGH Shareholders prior to the Effective Date. Many of the factors that affect the market price of the Flora Shares and the FGH Shares are beyond the control of Flora Growth and FGH, respectively. The market price of Flora Shares and FGH Shares could each fluctuate significantly prior to the Effective Date in response to various factors and events including fluctuations in commodity prices, fluctuations in currency exchange rates, changes in the regulatory environment, adverse political developments, prevailing conditions in the capital markets, interest rate fluctuations, differences between actual financial or operating results and those expected by investors and analysts, changes in analysts' projections or recommendations, changes in general economic or market conditions, and broad market fluctuations. As a result of such fluctuations, historical market prices are not indicative of future market prices or the market value of the Flora Growth that FGH Shareholders may receive on the Effective Date if upper or lower collars are exceeded.

Fluctuations in the market price of FGH Shares or Flora Shares may be caused by a number of factors outside of the control of FGH and Flora Growth including, among other factors, changes in the businesses, operations, results and prospects of one or both of FGH and Flora Growth, market expectations as to the likelihood that the

Arrangement will be completed and the timing of its completion, the prospects for Flora Growth's operations following completion of the Arrangement, the effect of any conditions or restrictions imposed on or proposed with respect to Flora Growth following completion of the Arrangement by governmental authorities and general market and economic conditions. As a result of such fluctuations, historical market prices are not indicative of future market prices or the market value of the Flora Shares that FGH Shareholders will receive on completion of the Arrangement. There can be no assurance that the market value of Flora Shares will equal or exceed the market value of the FGH Shares held by FGH Shareholders prior to such time. In addition, there can be no assurance that the trading price of Flora Shares will not decline following completion of the Arrangement.

The exchange of FGH Shares for Flora Shares pursuant to the Arrangement may be subject to Canadian or United States income tax and may be a taxable transaction under the laws of Canada, the United States and other jurisdictions.

Flora Growth and FGH intend to treat the Arrangement as a tax-deferred share-for-share exchange under section 85.1 of the Tax Act for Canadian federal income tax purposes. However, neither Flora Growth nor FGH has sought or obtained (or will seek or obtain) a ruling from the CRA or any other tax authority or an opinion of counsel regarding the tax consequences of the Arrangement. There can be no assurance that applicable Canadian federal or other income tax Laws will not be changed or interpreted in a manner, or that the applicable taxing authorities will not take administrative positions, that are adverse to FGH Shareholders following the completion of the Arrangement. The Arrangement may be a taxable transaction under the laws of Canada, the United States and other jurisdictions. The foregoing is subject in its entirety to the discussions under the headings "*Certain Canadian Federal Income Tax Considerations*".

All FGH Shareholders should consult with their own tax advisors regarding the tax consequences of the Arrangement with respect to their own personal circumstances.

FGH may become liable to pay the Termination Amount or the Expense Reimbursement Amount.

FGH may be required to pay the Termination Amount if the Arrangement Agreement is terminated under certain circumstances. In addition, if the Arrangement Agreement is terminated in certain circumstances, FGH will be obligated to pay Flora Growth the Expense Reimbursement Amount, although such reimbursement will not be payable if FGH has paid the Termination Amount, and FGH will only be required to pay the difference between the Termination Amount and the Expense Reimbursement Amount if, after FGH has paid Flora Growth the Expense Reimbursement Amount, FGH becomes obligated to pay the Termination Amount. In each case the financial condition of FGH may be materially adversely affected as a result in such circumstances if FGH does not enter into or complete an alternative transaction.

The Termination Amount may discourage other parties from delivering a Superior Proposal.

Under the Arrangement Agreement, FGH is required to pay the Termination Amount in the event that the Arrangement is terminated in certain circumstances relating to a Superior Proposal. The Termination Amount may discourage third parties from attempting to deliver a Superior Proposal to FGH, even though such proposal would be more favourable, from a financial point of view, than the Arrangement to the FGH Shareholders.

FGH is restricted from taking certain actions until the Effective Time or until the Arrangement Agreement is terminated.

Pursuant to the Arrangement Agreement, FGH must generally conduct its business in the ordinary course, and until the completion of the Arrangement or the termination of the Arrangement Agreement, FGH is restricted from taking certain specified actions without the consent of Flora Growth. In addition, pursuant to the Arrangement Agreement, FGH is restricted, subject to certain exceptions, from soliciting, initiating, knowingly encouraging or otherwise knowingly facilitating any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute, an Acquisition Proposal.

These restrictions may prevent FGH from pursuing attractive business opportunities that may arise prior to the completion of the Arrangement. If the Arrangement is not completed for any reason, the announcement of the Arrangement, the dedication of FGH's resources to the completion thereof and the restrictions that were imposed on FGH under the Arrangement Agreement may have an adverse effect on the current future operations, financial condition and prospects of FGH as a standalone entity. See "*Summary of Material Agreements – The Arrangement Agreement – Covenants*".

FGH will incur substantial transaction fees and costs in connection with the Arrangement. If the Arrangement is not completed, the costs could have an adverse effect on FGH.

FGH has incurred, and expects to incur, material non-recurring expenses in connection with the Arrangement and completion of the transactions contemplated by the Arrangement Agreement. If the Arrangement is not completed, FGH will need to pay certain costs relating to the Arrangement incurred prior to the date the Arrangement was abandoned, such as legal, accounting, financial advisory and printing fees. Such costs are expected to be significant and could have an adverse effect on the future results of operations, cash flows and financial condition of FGH.

Market price of the FGH Shares and Flora Shares.

The market price of the FGH Shares may be materially and adversely affected if, for any reason, the Arrangement is not completed or its completion is materially delayed and/or the Arrangement Agreement is terminated.

Additionally, the market price for Flora Shares, and the market price of stock of other companies operating in the cannabis industry, has been extremely volatile. The volatility of the market price for Flora Shares may be based on speculative trading of each of FGH Shares and Flora Shares and merger arbitrage.

Potential payments to FGH Shareholders who exercise Dissent Rights could have an adverse effect on the combined company's financial condition or prevent the completion of the Arrangement.

FGH Shareholders have the right to exercise Dissent Rights and demand payment equal to the fair value of their FGH Shares in cash. If Dissent Rights are exercised in respect of a significant number of FGH Shares, a substantial cash payment may be required to be made to such FGH Shareholders, which could have an adverse effect on Flora Growth's financial condition and cash resources. Further, FGH's and Flora Growth's obligation to complete the Arrangement is conditional upon FGH Shareholders holding no more than 5% of the outstanding FGH Shares having exercised Dissent Rights. Accordingly, the Arrangement may not be completed if FGH Shareholders exercise Dissent Rights in respect of more than 5% of the outstanding FGH Shares. Additionally, if a Registered FGH Shareholder validly exercises its Dissent Rights, the timing of the Arrangement could be significantly delayed or obstructed. See "*Summary of Material Agreements – The Arrangement Agreement – Conditions to Arrangement Becoming Effective – Conditions in Favour of Flora Growth*".

Forward-looking statements may prove inaccurate.

Readers are cautioned not to place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Directors and officers of FGH may have interests in the Arrangement that may be different from those of FGH Shareholders generally.

FGH Shareholders should be aware that certain members of FGH's management and the FGH Board may have certain interests in connection with the Arrangement that differ from, or are in addition to, those of FGH Shareholders generally and may present them with actual or potential conflicts of interest in connection with the

Arrangement. The FGH Board was aware of and considered these interests when they declared the advisability of the Arrangement Agreement and unanimously recommended that FGH Shareholders approve the Arrangement Resolution. See "*The Arrangement – Approvals Required for the Arrangement – FGH Shareholder Approval*" and "*Interest of Certain Persons in Matters to be Acted Upon*".

The COVID-19 pandemic and other general risks and uncertainty related to natural disasters, pandemics or other catastrophic events.

The COVID-19 pandemic is an ongoing pandemic and continues to evolve rapidly. The extent to which the COVID-19 pandemic may impact or continue to impact FGH's or Flora Growth's business prior to the completion of the Arrangement, or Flora Growth following completion of the Arrangement, operations and financial performance will depend on future developments which are highly uncertain and are difficult to predict including, but not limited to, matters such as: (i) the severity, duration, spread, and/or resurgence of the pandemic; (ii) the timing, efficacy and extent of government policies, restrictions and requirements related to COVID-19 including, among others, social distancing, forced quarantines, business closures, and vaccinations; (iii) non-governmental influences or challenges such as the failure of banks and the speed and extent to which normal economic and operating conditions can resume; and/or (iv) consequences arising from the economic damage related to the ongoing effects of the COVID-19 pandemic.

Even after the COVID-19 pandemic has subsided, there may continue to be material and adverse effects to FGH or Flora Growth as a result of the COVID-19 pandemic's global economic impact.

Risk Factors Relating to FGH

If the Arrangement is not completed, FGH will continue to be subject to the risks that it currently faces with respect to its business and affairs. These risk factors are further detailed in the FGH Filings, filed with the Canadian Securities Administrators and available on SEDAR at www.sedar.com. See "*Information Concerning FGH*".

Risk Factors Relating to Flora Growth Following Completion of the Arrangement

The Consideration Shares will be subject to the Transfer Restrictions and Exceptions until the Release Date, and the resulting restrictions on transfer may prevent a former FGH Shareholder from disposing Consideration Shares at a favourable time and/or at a favourable price.

The Consideration Shares issuable on completion of the Arrangement will be subject to the Transfer Restrictions and Exceptions, which will prevent most transfers of Consideration Shares by former FGH Shareholders until the Release Date. Other holders of Flora Shares will not be subject to such transfer restrictions and, as a result, former FGH Shareholders may be unable to sell FGH Shareholders at a favourable time, and the market price of the Flora Shares may be lower on the Release Date than the market price of the Flora Shares during the period in which such Consideration Shares were subject to transfer restrictions imposed by the Plan of Arrangement.

There are risks related to the integration of Flora Growth's and FGH's existing businesses.

The ability to realize the benefits of the Arrangement including, among other things, those set forth in this Circular, will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on Flora Growth's ability to realize the anticipated growth opportunities, capital funding opportunities and operating synergies from integrating Flora Growth's and FGH's respective businesses following completion of the Arrangement. Many operational and strategic decisions and certain staffing decisions with respect to the consolidated entity following completion of the Arrangement have not yet been made. These decisions and the integration will require the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities of Flora Growth following completion of the Arrangement, and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships

that may adversely affect the ability of Flora Growth, following completion of the Arrangement, to achieve the anticipated benefits of the Arrangement. See "*The Arrangement – Recommendation of the FGH Board – Reasons for the Recommendation of the FGH Board*".

Competition.

Flora Growth expects significant competition from other companies. Some of these companies may have significantly greater financial, technical, marketing and other resources than Flora Growth, may be able to devote greater resources to the development, promotion, sale and support of their products and services, and may have more extensive customer bases and broader customer relationships. Flora Growth's future success depends upon its ability to achieve competitive per unit costs through increased production and on its ability to produce and sell higher margin products. To the extent that Flora Growth is not able to produce its products at competitive prices or consumers prioritize established low margin products over innovative, higher margin products following completion of the Arrangement, Flora Growth's business, financial condition and results of operations could be materially and adversely affected.

Should the size of the cannabis market continue to increase as projected, particularly into the United States, the overall demand for products and number of competitors will increase as well, and in order for Flora Growth to be competitive it will need to continue to invest significantly in, among other things, research and development, market development, marketing, production expansion, new customer identification and distribution channels. Flora Growth's ability to compete in the market may be adversely affected if Flora Growth is not successful in obtaining sufficient resources to advance in these areas.

Highly regulated and evolving regulatory landscape.

Flora Growth operates in a highly regulated and rapidly evolving market. The Laws, regulations and guidelines generally applicable to the cannabis industry domestically and internationally may change in ways currently unforeseen. Flora Growth's operations are subject to a variety of laws, regulations, guidelines and policies, whether in Colombia, the United States or elsewhere, relating to the cultivation, manufacture, import, export, management, transportation, storage, packaging/ labelling, advertising and promotion, sale, health and safety and disposal of cannabis, including, but not limited to, laws, regulations, guidelines and policies relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment, and applicable stock exchange rules and regulations. Any amendment to or replacement of existing laws, regulations, guidelines or policies may cause material and adverse effects to Flora Growth's operations. The risks to Flora Growth's business represented by subsequent regulatory changes could reduce the addressable market for Flora Growth's products and could materially and adversely affect Flora Growth's business, financial condition, results of operations and prospects.

COMPARISON OF SHAREHOLDER RIGHTS

The rights of FGH Shareholders are currently governed by the BCBCA and by the Company's Constating Documents. If the Arrangement is completed, former FGH Shareholders will hold Flora Shares. Flora Growth is incorporated under, and governed by, the OBCA. Accordingly, the Consideration Shares will be governed by the OBCA and Flora Growth's Constating Documents. The OBCA provides shareholders with substantially the same rights as are available to shareholders under the BCBCA, including rights of dissent and appraisal and rights to bring derivative actions and oppression actions. However, there are several certain differences between the two statutes and the regulations promulgated thereunder. A comparison of certain of these rights is attached as Appendix "I" to this Circular. This summary is not intended to be exhaustive, and FGH Shareholders should consult their legal advisors regarding all of the implications of the effects of the Arrangement on the rights of such FGH Shareholders.

INFORMATION CONCERNING THE COMPANY

The following information is presented on a pre-Arrangement basis and reflects the business, financial and share capital position of FGH. See "Flora Growth Upon Completion of the Arrangement" for information regarding Flora Growth and the Company following completion of the Arrangement.

Overview

FGH, through its Subsidiaries, is a multi-national operator in the medical cannabis and pharmaceutical industries, with principal operations in Germany and with operations, assets, strategic partnerships and investments internationally. The Company's business objective is to develop a fully-integrated, leading European medical cannabis business, with the goal of providing high-quality pharmaceutical grade medical cannabis to distribution partners and, ultimately, to patients, at competitive prices.

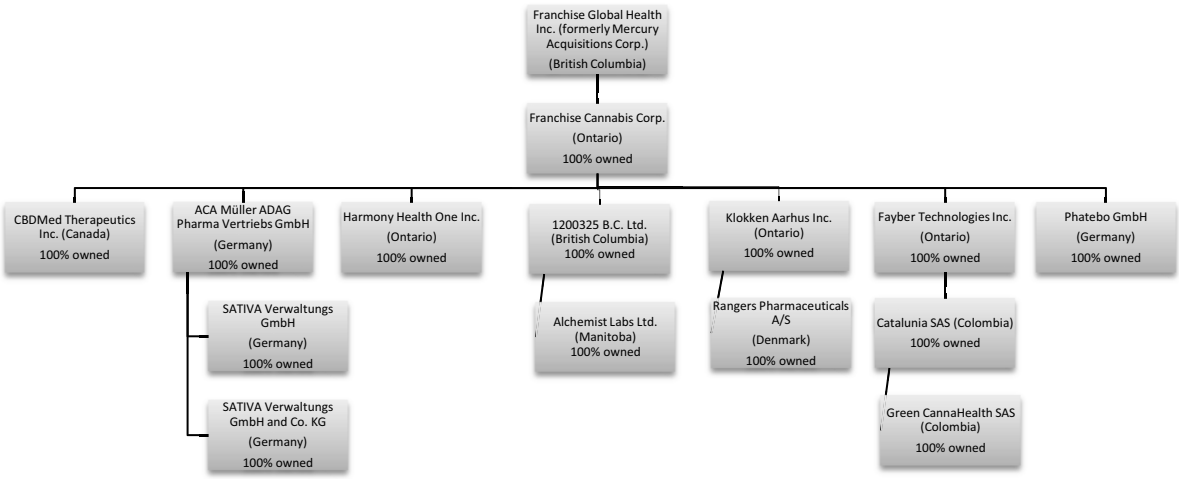
The Company was incorporated pursuant to the provisions of the BCBCA on November 25, 2019, under the name "Mercury Acquisitions Corp.". The Company completed its initial public offering on May 13, 2021, and was listed on the TSXV as a capital pool company until it completed its qualifying transaction on March 25, 2022 (the "**Qualifying Transaction**"). The Qualifying Transaction was implemented by way of a "three-cornered" amalgamation among the Company, 2868303 Ontario Inc. (a wholly-owned subsidiary of the Company) and Franchise Cannabis Corp., which was incorporated on April 25, 2018 under the OBCA ("**Franchise Oldco**"). Pursuant to the amalgamation, Franchise Oldco amalgamated with 2868303 Ontario Inc., and the corporation resulting from such amalgamation was named "Franchise Cannabis Corp." ("**Franchise Newco**"). The completion of the Qualifying Transaction resulted in a reverse takeover of the Company by the shareholders of Franchise Oldco, with the Company carrying on the business of Franchise Oldco through Franchise Newco (and its direct and indirect Subsidiaries).

In connection with the completion of the Qualifying Transaction, the Company also changed its name to "Franchise Global Health Inc." to better reflect the business of the Company and the Company completed a consolidation of its share capital on the basis of one post-consolidation share for every ten pre-consolidation common shares existing immediately before the consolidation (the "**Consolidation**"). The Consolidation was effected immediately prior to the completion of the Qualifying Transaction.

The Company's head office is located at 550 Burrard Street, Suite 2300, Vancouver, BC V6C 2B5 and its registered office is located at 2900 – 550 Burrard Street, Vancouver, BC V6C 0A3.

Intercorporate Relationships

The following chart illustrates the organizational structure of the Company.



All of the direct and indirect Subsidiaries of the Company are wholly-owned.

Price Ranges and Trading Volumes

The FGH Shares are listed on the TSXV under the symbol "FGH". Prior to the completion of the Qualifying Transaction and the listing of the FGH Shares under the symbol "FGH" on March 25, 2022, the FGH Shares were listed on the TSXV under the trading symbol "MERC.P". The following table sets forth the reported high and low and monthly trading volumes of the FGH Shares on the TSXV for six months preceding the date of this Circular.

Period	High Trading Price ($)	Low Trading Price ($)	Total Volume for Period
November, 2022 (1-14)……..	-	-	-
October, 2022…….....	-	-	-
September, 2022…….....	-	-	-
August, 2022…….....	-	-	-
July, 2022…….....	-	-	-
June, 2022…….....	-	-	-
May, 2022 [(1)] …….....	$0.45	$0.35	246,556

Note

(1) On May 16, 2022, the Company announced that it had entered into a letter of intent with respect to the acquisition of a leading German distributor (the "**German LOI**"), which acquisition would constitute a "Fundamental Acquisition" for the Company as defined in the policies of the TSXV. Accordingly, the FGH Shares have remained halted since May 16, 2022 pending either the completion of TSXV's review of the transaction contemplated by the German LOI or a determination by TSXV to lift the trading halt. The trading price of the FGH Shares at the time of the halt was $0.45 per FGH Share.

Ownership of Securities

For complete details regarding the securities held by each officer and director of the Company, please see "*Interest of Certain Persons in Matters to be Acted Upon – Ownership of FGH Shares, FGH Options and FGH RSUs*".

Arrangements Between the Company and Securityholders

Other than as disclosed in the Circular, there are no agreements, commitments or understanding made or proposed to be made between the Company and a securityholder of the Company relating to the Arrangement.

Previous Purchases and Sales

The Company has not purchased or sold securities of the Company during the 12 months preceding the date of this Circular.

Previous Distributions of FGH Shares

The following table sets out information relating to the distribution of FGH Shares since incorporation of the Company and prior to the date of this Circular:

Date of Distribution	Number of FGH Shares	Price per FGH Share	Aggregate Gross Proceeds	Description of Distribution
March 25, 2022	1,274,444	$1.80 (deemed)	n/a	Consideration for services
March 25, 2022	128,289,230	$1.80 (deemed)	n/a	Issued in Qualifying Transaction
May 11, 2021	4,000,000	$1.00	$4,000,000	Issued in initial public offering
January 23, 2020	1,000,000	$0.50	$500,000	Issuance of founders' shares

Notes:

(1) As adjusted to give effect to the Consolidation.

Dividends

The Company has not paid any dividends since incorporation and it has no plans to pay dividends for the foreseeable future. There are not restrictions that could prevent the Company from paying dividends, other than the terms of the Arrangement Agreement.

See "*Summary of Material Agreements – The Arrangement Agreement – Covenants*".

Material Changes

Other than as disclosed in the Circular, there are no plans or proposals for material changes in the affairs of the Company expected to arise as a result of the completion of the Arrangement.

See "*Flora Growth Upon Completion of the Arrangement*".

Arrangements between the Company and Securityholders

Other than as described in the Circular, there are no agreements, commitments or understandings made or proposed to be made between the Company and a securityholder of the Company relating to the Arrangement.

See "*Summary of Material Agreements – Voting Support Agreements*" and "*Interest of Certain Persons in Matters to be Acted Upon*".

INFORMATION CONCERNING FLORA GROWTH

See Appendix "F" attached to and forming part of this Circular for detailed information concerning Flora Growth.

FLORA GROWTH UPON COMPLETION OF THE ARRANGEMENT

Overview

On completion of the Arrangement, FGH will continue to be a corporation governed by the BCBCA, and Flora Growth will continue to be a corporation governed by the OBCA and FGH's consolidated operations will be managed and operated as a Subsidiary of Flora Growth. Flora Growth's mailing and registered office will continue to be located at 365 Bay Street, Suite 800, Toronto, Ontario, M5H 2V1 with its principal place of business in the United States located at 3406 SW 26th Terrace, Suite C-1, Fort Lauderdale, Florida 33312.

See Appendix "F" attached to and forming part of this Circular for detailed information concerning Flora Growth.

Intercorporate Relationships

On completion of the Arrangement, FGH will continue to be a corporation governed by the BCBCA. After the Effective Date, Flora Growth will own all of the outstanding FGH Shares and FGH will be a wholly-owned Subsidiary of Flora Growth, and all of FGH's Subsidiaries will be indirect wholly-owned Subsidiaries of Flora Growth. See Appendix "F" under the heading "*Information Concerning Flora – Corporate Structure*" for additional information.

Description of Share Capital

The share capital of Flora Growth will remain unchanged as a result of the completion of the Arrangement, other than the issuance of the Consideration Shares contemplated in the Arrangement. FGH's authorized share structure will continue to consist of an unlimited number of common shares. Flora Growth's authorized share capital will continue to consist of an unlimited number of common shares. See Appendix "F" under the heading "*Information Concerning Flora – Description of Flora's Securities*" for additional information.

Post-Arrangement Shareholdings

Based solely on the respective number of issued and outstanding Flora Shares and the VWAP of the Flora Shares on the date of the Arrangement Agreement, immediately following completion of the Arrangement, former FGH Shareholders are anticipated to collectively own between approximately 32% and 36% of the Flora Shares issued and outstanding immediately after the Effective Time (assuming that no Dissent Rights are exercised, and subject to dilution that may occur pursuant to permitted share issuances by Flora Growth as provided for in the Arrangement Agreement). To the knowledge of the directors and executive officers of Flora Growth, based on publicly available information relating to Flora Growth and the Company, no person will beneficially own, directly or indirectly, or exercise control or direction over, securities of Flora Growth carrying 10% or more of the voting rights attached to all outstanding Flora Shares.

Pro Forma Consolidated Capitalization

The following table sets forth Flora Growth's consolidated capitalization as at June 30, 2022, adjusted to give effect to the Arrangement. The table should be read in conjunction with the unaudited consolidated interim financial statements of Flora Growth as at and for the six months ended June 30, 2022, including the notes thereto, and the related management's discussion and analysis thereof, the unaudited consolidated interim financial statements of the Company as at and for the six months ended June 30, 2022, including the notes thereto, and the related management's discussion and analysis thereof, and the unaudited *pro forma* consolidated financial

statements of Flora Growth and accompanying notes thereto attached as Appendix "G" to the Circular, and the other financial information contained in or incorporated by reference in this Circular.

(Stated in Thousands of United States Dollars)	As at June 30, 2022	As at June 30, 2022 after giving effect to the Arrangement assuming the Initial Exchange Ratio
Flora Growth share capital……..	$119,300	$144,323[(1)]
Flora Shares issued (Authorized – Unlimited)….....	76,944,000 [(2)]	120,469,951[(2)(3)]
Total current assets…….	$27,156	$41,993
Total current liabilities…….……	$8,551	$17,562

Note:

(1) Assumes a 20-day VWAP of Flora Shares of $0.5749.
(2) Presented on a non-diluted basis.
(3) Assumes completion of the Arrangement and the issuance of 43,525,951 Flora Shares pursuant to the Plan of Arrangement. Assumes no Dissent Rights are exercised.

Selected Pro Forma Financial Information

The selected unaudited *pro forma* consolidated financial information set forth below should be read in conjunction with Flora Growth's unaudited *pro forma* consolidated financial statements and the accompanying notes thereto attached as Appendix "G" to the Circular. The unaudited *pro forma* consolidated statement of financial position and the unaudited *pro forma* consolidated statements of comprehensive (loss) of Flora Growth are comprised of information derived from the following financial statements of Flora Growth and the Company and prepared in accordance with IFRS:

- the audited consolidated financial statements of Flora Growth for the year ended December 31, 2021;
- the audited consolidated financial statements of the Company for the year ended December 31, 2021;
- the unaudited condensed interim consolidated financial statements of Flora Growth for the six month period ended June 30, 2022; and
- the unaudited condensed interim consolidated financial statements of the Company for the six month period ended June 30, 2022.

The summary unaudited *pro forma* consolidated financial information is not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated. Actual amounts recorded upon consummation of the Arrangement will differ from the *pro forma* information presented below. Adjustments have been made to prepare the *pro forma* consolidated financial statement, which adjustments are based on certain assumptions. Both the adjustments and the assumptions made are described in the notes to the *pro forma* financial statements. No attempt has been made to calculated or estimate potential synergies between Flora Growth and the Company. The unaudited *pro forma* consolidated financial statement information set forth below is extracted from and should be read in conjunction with the unaudited *pro forma* consolidated financial statements of Flora Growth and the accompanying notes included in Appendix "G" to the Circular.

Unaudited (in thousands of US dollars)	**Three months ended June 30, 2022**	**Year ended December 31, 2021**
***Pro forma* statement of operations data**		
Revenue……..	$38,588	$9,884
Net Loss……..	$(46,947)	$(37,410)
***Pro forma* per Flora Share data**		
Net loss per share……..	$(0.39)	$(0.43)

Unaudited (in thousands of US dollars)	**Three months ended June 30, 2022**
***Pro forma* statement of financial position data**	
Total current assets…….....	$41,993
Total assets…….....	$114,734
Total current liabilities…….....	$17,562
Total liabilities……	$28,564
Total equity…….	$86,170

Escrowed Securities and Securities Subject to Contractual Restrictions on Transfer

Certain securities of Flora Growth are currently subject to escrow. See "*Escrowed Securities and Securities Subject to Contractual Restriction on Transfer*" in Appendix "F" to this Circular.

Certain securities of FGH are currently held in escrow as per requirements of the TSXV. These escrowed securities will be exchanged for the Consideration as part of the Arrangement. An application will be made to release the Consideration Shares or reduce the escrow period applicable to such Consideration Shares that would otherwise apply under the terms of the escrow agreement. Should this application be granted, the Consideration Shares issued in exchange for FGH Shares subject to escrow will be released from escrow upon closing of the Arrangement.

The Plan of Arrangement provides that the Consideration Shares issuable in connection with the Arrangement will be subject to the Transfer Restrictions and Exceptions until the date that is 90 calendar days following the Effective Date. Certificates or DRS Advices representing such Consideration Shares will be legended or similarly annotated (or deemed to be so legended) to indicate that such securities are subject to the Transfer Restrictions and Exceptions. For more information, please see under the heading "*The Arrangement - Issuance and Resale of Securities Issued to FGH Shareholders as Consideration Under the Arrangement – 90-Day Transfer Restriction*".

Dividends or Distributions

There is no current plan or intention to declare a dividend on the Flora Shares or alter the dividend policy of Flora Growth after completion of the Arrangement. The Flora Board will determine if and when dividends should be declared and paid in the future based on Flora Growth's financial position at the relevant time. Unless Flora Growth commences the payment of dividends, holders of Flora Shares will not be able to receive a return on their Flora Shares unless they sell them.

Governance Matters

Directors

It is expected that, upon completion of the Arrangement, the Starke Nominees (one of whom is expected to be Clifford Starke, the Chief Executive Officer, Director and Executive Chairman of FGH) will be appointed to the Flora Board, and that the Starke Nominees will comprise 2/9^{ths} of the total size of the Flora Board. For further information, please see under the heading "*Interest of Certain Persons in Matters to be Acted Upon – The Starke Nominees*". See "*Directors and Executive Officers*" in Appendix "F" to this Circular for more information on the other directors of Flora Growth.

Management

It is expected that, upon completion of the Arrangement, Clifford Starke (the Chief Executive Officer, Director and Executive Chairman of FGH) will enter into an employment agreement with Flora Growth as an executive officer holding the position of President. The terms and conditions of such employment (including remuneration therefor) will be set forth in an executive employment agreement to be entered into in connection with the completion of the Arrangement.

It is expected that, upon completion of the Arrangement, Dany Vaiman (the Chief Financial Officer of FGH) will enter into an employment agreement with Flora Growth as an executive officer holding the position of Senior VP - Finance. The terms and conditions of such employment (including remuneration therefor) will be set forth in an executive employment agreement to be entered into in connection with the completion of the Arrangement.

See "*Directors and Executive Officers*" in Appendix "F" to this Circular for more information on the other officers of Flora Growth.

Executive Compensation

Following the completion of the Arrangement, it is expected that Flora Growth will review its policies with respect to executive compensation. See Appendix "F" under the heading "*Executive Compensation*".

Compensation of Directors

Following the completion of the Arrangement, it is expected that Flora Growth will review its policies with respect to director compensation. See Appendix "F" under the heading "*Director Compensation*".

Stock Exchange Listing

Flora Shares are currently listed on Nasdaq under the symbol "FLGC" and trade in United States dollars. It is a mutual condition of Closing that the necessary conditional approvals or equivalent approvals, as the case may be, for the listing of the Consideration Shares on Nasdaq, be obtained.

Audit Committee and Corporate Governance

Following completion of the Arrangement, it is expected that the Flora Board will continue to fulfil the role of an audit committee and that its corporate governance will remain unchanged. See "*Audit Committee*" and "*Corporate Governance*" in Appendix "F".

Risk Factors

Following completion of the Arrangement, it is expected that the risk factors will be the same as the risk factors currently applicable to Flora Growth and FGH. See "*Risk Factors*" in Appendix "F" and "*Risk Factors*" in the body of this Circular, respectively.

Auditors

Following completion of the Arrangement, Davidson & Company LLP will continue as auditors of Flora Growth. See Appendix "F" under the heading "*Auditor*" for additional information.

Transfer Agent and Registrar

Following completion of the Arrangement, Continental Stock Transfer & Trust Company will continue to be the transfer agent and registrar for the Flora Shares (subject to any co-agency arrangements that may be arranged in connection with Closing). See Appendix "F" under the heading "*Registrar and Transfer Agents*" for additional information.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed in this Circular, since the commencement of FGH's most recently completed financial year, no informed Person of the Company or any associate or affiliate of an informed Person, has or had any material interest, direct or indirect, in any transaction or any arrangement which has materially affected or will materially affect FGH or its Subsidiaries.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

The directors and executive officers of FGH may have interests in the Arrangement that are, or may be, different from, or in addition to, the interests of the FGH Shareholders. These interests include those described below. The FGH Board was aware of these interests and considered them, among other matters, when recommending approval of the Arrangement by the FGH Shareholders.

Ownership of FGH Shares, FGH Options, and FGH RSUs

As of the Record Date, the current directors and executive officers of FGH and their associates and affiliates, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of approximately 99,366,066 FGH Shares representing approximately 73.8% of the issued and outstanding FGH Shares. Pursuant to the Voting Support Agreements, directors and executive officers of FGH who beneficially owned, directly or indirectly, or exercised control or direction over, FGH Shares agreed with Flora Growth to vote or cause to be voted such FGH Shares in favour of the Arrangement Resolution.

All of the FGH Shares held by such directors and executive officers of FGH will be treated in the same manner under the Arrangement as FGH Shares held by any other FGH Shareholder. If the Arrangement is completed, the directors and executive officers of FGH and their associates and affiliates holding such FGH Shares will receive, in exchange for such FGH Shares, an aggregate of between approximately 7,724,794 and 9,207,954 Flora Shares (depending on the total number of Flora Shares issued pursuant to the Arrangement, and assuming no issuances of

additional FGH securities to such directors and officers, and prior to deduction or applicable withholdings and rounding due to fractions).

As of the Record Date, the current directors and executive officers of FGH and their associates and affiliates, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of approximately 1,457,205 FGH Options. No director or executive officer of FGH or their associates and affiliates, as a group, beneficially owned, directly or indirectly, or exercised control or direction over FGH RSUs or Agent Compensation Options as of the Record Date. All of the FGH Options held by the directors and executive officers of FGH will be treated in the same manner under the Arrangement as the FGH Options held by other holders of such securities.

The table below sets out the names and positions of the directors and executive officers of FGH as of the date of this Circular (which includes, to the knowledge of the Company after reasonable enquiry, (a) their respective associates and affiliates; (b) any insider of the Company (other than the directors and executive officers) and their respective associates and affiliates; (c) and associate or affiliate of the Company; and (d) any Person acting jointly or in concert with the Company), as to the number of FGH Shares and FGH Options held by each such director and executive officer, or over which control or direction was exercised by each such person, in each case, as of the Record Date.

Summary of Interests of FGH Directors and Executive Officers in the Arrangement

Name and Position	FGH Shares	FGH Options
Clifford Starke *Chief Executive Officer, Director and Executive Chairman*	23,348,693	1,104,965
Edward Woo *President and Chief Operating Officer*	138,888	Nil
Dany Vaiman *Chief Financial Officer*	Nil	Nil
Nasir Bhatti *Co-Head of Europe*	1,923,077	Nil
Jan Anderson *Co-Head of Europe*	1,923,077	Nil
Peter Simeon *Director*	183,333	110,000
The Hon. Larry Smith *Director*	Nil	Nil
Steven Thomas *Director*	Nil	Nil
Jakub Malczewski *Director*	400,000	Nil
Farhan Lalani *Director*	550,000	242,240

Notes:

(1) The information as to FGH Shares beneficially owned or over which control or direction is exercised, directly or indirectly, not being within the knowledge of the Company, has been furnished by the FGH Shareholder listed above.

To the knowledge of the Company, other than as set out below (and except for FGH Shares that may be acquired upon exercise of any FGH Option prior to the Effective Time) there are no agreements, commitments or understandings to acquire securities of the Company or of Flora Growth by any of the persons referred to above.

Under the Arrangement Agreement, the Company is permitted to issue, until December 1, 2022, additional FGH RSUs and FGH Shares in settlement of any claims, provided that, in any event, the total issued and outstanding FGH Shares outstanding immediately prior to the Effective Date shall not exceed 149,563,674. While as of the date of this Circular there are no agreements, commitments or understandings to acquire any such securities of the Company, the Company may, in accordance with the Arrangement Agreement, issue additional FGH Shares and/or FGH RSUs to settle existing claims, including claims of directors and officers of the Company. Any such issuance, if made, could constitute a "collateral benefit" as defined under MI 61-101, to the extent such issuance is granted as a consequence of the Arrangement and is made to a "related party" of the Company. If any such issuances occur, the Company will disclose such "collateral benefit" and, if required by MI 61-101, any FGH Shares owned by such "related party" as of the Record Date will be excluded from voting for purposes of "minority approval", as each such term is defined under MI 61-101.

See as well "*The Arrangement – Approvals Required for the Arrangement – Majority of Disinterested FGH Shareholder Approval Under MI 6-101*".

Change of Control Benefits

Certain executives of the Company, namely: Messrs. Dany Vaiman (the Chief Financial Officer of the Company) and Edward Woo (the President and Chief Operating Officer of the Company) are party to employment agreements that contain severance provisions that will result in change of control entitlements, and the consummation of the Arrangement will constitute a change of control of the Company pursuant to such agreements. Flora Growth is expected to honour the change of control entitlements required under such agreements. The estimated change of control entitlements which will become payable in connection with the completion of the Arrangement are set out below:

Name and Position	Change of Control Entitlement	Estimated Change of Control Entitlement
Dany Vaiman *Chief Financial Officer*	14 months salary (12 months plus 1 month per year of service plus vacation accrued and not taken)	$211,167
Edward Woo *President and Chief Operating Officer*	3 months salary (1 month plus 1 month per year of service plus vacation accrued and not taken)	$37,500

See as well "*The Arrangement – Approvals Required for the Arrangement – Majority of Disinterested FGH Shareholder Approval Under MI 6-101*".

The Starke Nominees

In the form of Voting Support Agreement executed by Clifford Starke (Chief Executive Officer, Director and Executive Chairman of the Company), Flora Growth agreed that, prior to the Effective Time, it will increase the size of the Flora Board and cause the appointment (conditional upon the occurrence of the Effective Time) of two nominees specified in writing by Clifford Starke who are qualified pursuant to the OBCA and who consent in

writing to act as directors of Flora Growth (the "**Starke Nominees**", and it is expected that Clifford Starke will be one such Starke Nominee), subject to the terms and conditions of the Voting Support Agreement. Upon appointment, the Starke Nominees shall comprise not less than 2/9^{ths} of the total size of the Flora Board, and Flora Growth has agreed to nominate the Starke Nominees for election as directors of the Flora Board at the next annual meeting of holders of Flora Shares (and such Starke Nominees shall comprise not less than 2/7 ^{ths} of the total number of directors nominated by management of Flora Growth for election to the Flora Board) and Flora Growth shall use commercially reasonable efforts (subject to fiduciary obligations) to ensure that the Starke Nominees are elected as directors. The appointment or election of the Starke Nominees is subject to the prior approval of the Nasdaq, if required. Furthermore, if any Starke Nominee ceases to be a director prior to the next annual meeting of holders of Flora Shares, then Flora Growth has agreed to: (i) appoint a replacement Starke Nominee as soon as reasonably practical, in the event such vacancy may be filled by appointment; or (ii) nominate a new Starke Nominee for election to the FGH Board at the next meeting of holders of Flora Shares at which directors are to be elected, in the event such vacancy is required to be filled by election by holders of Flora Shares.

See as well "*The Arrangement – Approvals Required for the Arrangement – Majority of Disinterested FGH Shareholder Approval Under MI 6-101*".

Insurance and Indemnification of Directors and Officers

Pursuant to the Arrangement Agreement, Flora Growth will, or will case FGH and its Subsidiaries to, maintain in effect without any reduction in scope or coverage for seven years from the Effective Date customary policies of directors' and officers' liability insurance providing protection no less favourable than the protection provided by the policies maintained by the Company and its Subsidiaries which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date.

Alternatively, the Company may, at the election of the Company in its sole discretion, purchase customary "tail" policies of directors' and officers' liability insurance providing protection no less favourable in the aggregate to the protection provided by the policies maintained by the Company and its Subsidiaries which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date on customary terms and conditions and Flora Growth will, or will cause the Company and its Subsidiaries to, maintain such tail policies in effect without any reduction in scope or coverage for seven years from the Effective Date, provided that Flora Growth will not be required to pay any amounts in respect of such coverage prior to the Effective Time. From and after the Effective Time, the Company or Flora Growth, as applicable, have agreed not to take any action to terminate such directors' and officers' liability insurance or adversely affect the rights of the Company's present and former directors and officers thereunder.

Flora Growth will cause the Company and its Subsidiaries to honour all rights to indemnification or exculpation now existing in favour of present and former employees, officers and directors of the Company and its Subsidiaries, to the extent that they are (i) included in the Constating Documents of the Company or any of its Subsidiaries; or (ii) set out in any indemnity agreements entered into between such Persons and the Company or any of its Subsidiaries, and such rights will survive the completion of the Plan of Arrangement and continue in full force and effect in accordance with their terms.

Potential Acquisition of Certain Assets of the Company by Clifford Starke in Connection with Closing

Subsequent to entering into the Arrangement Agreement, Clifford Starke (Chief Executive Officer, Director and Executive Chairman of the Company) expressed an interest to Flora Growth in acquiring certain assets of the Company in connection with Closing, and solicited the consent of Flora Growth to include such acquisitions as part of closing procedures. Flora Growth has expressed to Clifford Starke that it is willing to consider the acquisition by Mr. Starke of such assets, on the basis that such assets are of generally nominal value and are not of strategic interest to Flora Growth post-Closing.

While no definitive documentation has been entered into in respect of the foregoing, the acquisition of any such assets of the Company by Clifford Starke, and the terms and conditions thereof, would be subject to review and approval by the FGH Board (with Clifford Starke declaring an interest and abstaining from voting thereon), in keeping with the fiduciary duties owed by the FGH Board to the Company, and in compliance with Flora Growth's rights under the Arrangement Agreement.

Any such acquisition, if approved and consummated, would constitute a "related party transaction" under MI 61-101 and would also be a "connected transaction" (as defined in MI 61-101) to the Arrangement, as the acquisitions would only occur conditional upon Closing (but such acquisitions are not a condition to Closing). It is expected that any such acquisition would qualify for an exemption from the minority approval and formal valuation requirements of MI 61-101 applicable to related party transactions and business combinations.

See as well "*The Arrangement – Approvals Required for the Arrangement – Majority of Disinterested FGH Shareholder Approval Under MI 6-101*".

EXPENSES OF THE ARRANGEMENT

The Company estimates that expenses in the aggregate amount of approximately $1,000,000 will be incurred by the Company in connection with the Arrangement, including legal, financial advisory, accounting, proxy solicitation, filing fees and costs, the cost of preparing, printing and mailing this Circular and fees in respect of the Fairness Opinion. The Company and Flora Growth have agreed in the Arrangement Agreement that, except in the limited circumstances described under "*Summary of Material Agreements – The Arrangement Agreement – Termination – Reimbursement of Expenses*", all out-of-pocket expenses of the parties relating to the Arrangement Agreement or the transactions contemplated thereby, including legal fees, accounting fees, financial advisory fees, regulatory filing fees, stock exchange fees, all disbursements of advisors and printing and mailing costs, will be paid by the party incurring such expenses.

INTERESTS OF EXPERTS

Certain legal matters in connection with the Arrangement will be passed upon by Gowling WLG (Canada) LLP, counsel to the Company, and Wildeboer Dellelce LLP, counsel to Flora Growth. As of the date hereof, the partners and associates of each of Gowling WLG (Canada) LLP and Wildeboer Dellelce LLP, respectively, beneficially own, or exercise control or direction over, directly or indirectly, less than 1% of the outstanding FGH Shares.

Haywood Securities Inc. has provided the Fairness Opinion which is attached as Appendix "E" to this Circular. As of the date hereof, the "designated professionals" (as defined in Form 51-102F2– *Annual Information Form*) of Haywood Securities Inc. do not beneficially own, or exercise control or direction over, directly or indirectly, more than 1% of the outstanding FGH Shares.

RSM Canada LLP, Chartered Professional Accountants, FGH's former independent auditors, have prepared an independent auditor's report dated April 22, 2022 in respect of the financial statements of the Company as at and for the years ended December 31, 2021 and 2020. RSM Canada LLP is no longer the Company's independent auditors and, effective as of May 17, 2022, Zeifmans LLP, Chartered Professional Accountants, was appointed the Company's independent auditors. With respect to the aforementioned audited financial statements of the Company, as of the date of this Circular, RSM Canada LLP is independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation and regulations.

Davidson & Company LLP, Chartered Professional Accountants, Flora Growth's independent auditors, have prepared an independent auditor's report dated May 9, 2022 in respect of the consolidated financial statements of Flora Growth as at and for the years ended December 31, 2021 and 2020. Davidson & Company LLP is independent with respect to Flora Growth within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation and regulations.

ADDITIONAL INFORMATION

Financial information is provided in the Company's audited financial statements and the Company's management's discussion and analysis for its most recently completed financial year. A copy of the Company's audited financial statements and management's discussion and analysis for its most recently completed financial year can be accessed on the Company's SEDAR profile at www.sedar.com or obtained upon request and without charge by contacting the Company to the attention of the Corporate Secretary at 550 Burrard Street, Suite 2300, Vancouver, British Columbia, V6C 2B5. Additional information relating to the Company is available on SEDAR at www.sedar.com. Information contained on the Company's website is not and is not deemed to be a part of this Circular or incorporated by reference herein and should not be relied upon by FGH Shareholders for the purpose of determining whether to approve the Arrangement Resolution.

APPROVAL OF THE BOARD OF DIRECTORS

The contents of this Circular and the sending thereof to the FGH Shareholders have been approved by the FGH Board.

DATED at Vancouver, British Columbia this 14th day of November, 2022.

BY ORDER OF THE BOARD OF DIRECTORS OF
FRANCHISE GLOBAL HEALTH INC.

(signed) "Clifford Starke"

Clifford Starke
Chief Executive Officer and Executive Chairman

CONSENT

Consent of Haywood Securities Inc.

To the Board of Directors of Franchise Global Health Inc.

We refer to the opinion letter dated October 21, 2022 (the "**Fairness Opinion**"), which we prepared for the Board of Directors of Franchise Global Health Inc. (the "**Company**") in connection with the plan of arrangement involving Flora Growth Corp. and the Company.

We consent to the inclusion of the Fairness Opinion and all references to the Fairness Opinion in the management information circular of the Company dated November 14, 2022. The Fairness Opinion was given as at October 21, 2022 and remains subject to the assumptions, qualifications and limitations contained therein. In providing such consent, Haywood Securities Inc. does not intend that any person other than the addressee of the Fairness Opinion will rely on the Fairness Opinion.

DATED at Vancouver, British Columbia, this 14th day of November, 2022.

(signed) "Haywood Securities Inc."

GLOSSARY OF TERMS

"**Acquiror Indemnitees**" has the meaning given to it in "*Summary of Material Agreements – Indemnity Provided by Clifford Starke*".

"**Acquisition Proposal**" means, other than the transactions contemplated by the Arrangement Agreement and any transaction involving only the Company and/or one or more of its wholly-owned Subsidiaries, any offer, proposal, expression or indication of interest or inquiry (whether written or oral) from any Person or group of Persons other than Flora Growth or one or more of its Affiliates relating to: (i) any direct or indirect sale or disposition (or any lease, joint venture, long-term supply agreement, licence or other arrangement having the same economic effect as a sale) of assets of the Company or any of its Subsidiaries (including any voting or equity securities of any of the Company's Subsidiaries) representing 20% or more of the consolidated assets, or contributing 20% or more of the consolidated revenue or earnings, of the Company and its Subsidiaries taken as a whole (in each case based on the consolidated financial statements of the Company most recently filed on SEDAR prior to such offer, proposal or inquiry), or (ii) any direct or indirect acquisition by any Person or group of Persons acting jointly or in concert within the meaning of Securities Laws, of FGH Shares (including securities convertible into or exercisable or exchangeable for FGH Shares) representing, when taken together with the FGH Shares (including securities convertible into or exercisable or exchangeable for FGH Shares) held by any such Person or group of Persons, 20% or more of the FGH Shares (assuming, if applicable, the conversion, exchange or exercise of such securities convertible into or exercisable or exchangeable for FGH Shares), in either case whether by way of take-over bid, tender offer, exchange offer, treasury issuance, plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, share or asset purchase, joint venture, liquidation, dissolution, winding up or other similar transaction involving the Company or any of its Subsidiaries, and whether in a single transaction or a series of related transactions.

"**Advisory Fee**" has the meaning given to it in "*The Arrangement – Fairness Opinion*".

"**Advisory Services**" has the meaning given to it in "*The Arrangement – Fairness Opinion*".

"**Advisory Shares**" has the meaning given to it in "*The Arrangement – Fairness Opinion*".

"**Affiliate**" means, in respect of any Person, another Person if one of them is a Subsidiary of the other or each one of them is controlled, directly, or indirectly, by the same Person and, for purposes of this definition, a Person is considered to "control" another Person if: (i) the first Person beneficially owns or directly or indirectly exercises control or direction, by contract or otherwise, over securities of the second Person carrying votes which, if exercised, would entitle the first Person to elect a majority of the directors of the second Person, unless that first Person holds the voting securities only to secure an obligation, or (ii) the second Person is a partnership, other than a limited partnership, and the first Person holds more than 50% of the interests of the partnership, or (iii) the second Person is a limited partnership, and the general partner of the limited partnership is the first Person.

"**Agent Compensation Options**" means the outstanding compensation options of the Company exercisable to purchase FGH Shares.

"**allowable capital loss**" has the meaning given to it in "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*".

"**Arrangement**" means the arrangement under Division 5 of the BCBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations to the Plan of Arrangement made in accordance with the terms of the Arrangement Agreement or made at the direction of the Court in the Final Order with the prior written consent of the Company and Flora Growth, each acting reasonably.

"**Arrangement Agreement**" means the arrangement agreement made as of October 21, 2022 between the Company and Flora, as it may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

"**Arrangement Resolution**" means the special resolution approving the Plan of Arrangement to be considered at the Meeting by FGH Shareholders, substantially in the form set out in Appendix "A".

"**Authorization**" means, with respect to any Person, any order, permit, approval, consent, waiver, licence or similar authorization of any Governmental Entity having jurisdiction over the Person, including but not limited to the Cannabis Licences.

"**BCBCA**" means the *Business Corporations Act* (British Columbia);

"**Business Day**" means any day of the year, other than a Saturday, a Sunday or any day on which major banks are closed for business in Vancouver, British Columbia or Toronto, Ontario.

"**Cannabis Licences**" means the licenses, certificates and authorizations of the Company and its Subsidiaries set forth in the FGH Disclosure Letter.

"**Change in Recommendation**" means if the FGH Board or any committee of the FGH Board fails to unanimously (with any interested directors having abstained from voting) recommend or withdraws, amends, modifies or qualifies in a manner adverse to Flora Growth or publicly proposes or states its intention to do any of the foregoing, or fails to publicly reaffirm (without qualification) within five Business Days after having been requested in writing by Flora Growth, to do so, the FGH Board Recommendation, or takes no position or a neutral position with respect to a publicly announced Acquisition Proposal for more than five Business Days after such Acquisition Proposal's public announcement.

"**Circular**" means the Notice of Meeting and accompanying management information circular, including all schedules, appendices and exhibits to, and information incorporated by reference in, such management information circular, to be sent to FGH Shareholders in connection with the Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of the Arrangement Agreement.

"**Closing**" has the meaning ascribed thereto in Section 2.8(b) of the Arrangement Agreement.

"**Collective Agreements**" means all collective bargaining agreements and union agreements currently applicable to the Company and/or any of its Subsidiaries which impose any obligations upon the Company and/or any of its Subsidiaries with respect to any Company Employee.

"**Company**" or "**FGH**" means Franchise Global Health Inc., a company existing under the BCBCA.

"**Company Employees**" means all officers and employees of the Company and/or its Subsidiaries, including unionized, non-unionized, part-time, full-time, active and inactive employees.

"**Consideration**" means the Exchange Ratio (as such term is defined and determined in accordance with the Plan of Arrangement) of a Flora Share for each FGH Share.

"**Consideration Shares**" means the Flora Shares to be issued in connection with the Arrangement.

"**Consolidation**" has the meaning given to it in "*Information Concerning the Company – Overview*".

"**Constating Documents**" means, in respect of a Party, the articles and notice of articles, articles of incorporation, formation, amalgamation or continuation, as applicable, charters, operating agreements, by-laws or other

organizational documents of such Party and all amendments to such articles, charters, operating agreements, by-laws or other organizational documents.

"**Contract**" means, in respect of a Party, any legally binding agreement, commitment, engagement, contract, franchise, licence, obligation, arrangement or undertaking (written or oral), together with any amendments and modifications thereto, to which such Party or any of its Subsidiaries is a party or by which such Party or any of its Subsidiaries is bound.

"**Controlling Individual**" has the meaning given to it in "*Certain Canadian Federal Income Tax Considerations – Eligibility for Investment*".

"**Court**" means the Supreme Court of British Columbia.

"**CRA**" means the Canada Revenue Agency.

"**Depositary**" means TSX Trust.

"**Dissent Rights**" means the rights of dissent in respect of the Arrangement described in the Plan of Arrangement.

"**Dissenting Non-Resident Holder**" has the meaning given to it in "*Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Dissenting Non-Resident Holders*".

"**Dissenting Resident Holder**" has the meaning given to it in "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Dissenting Resident Holders*".

"**Dissenting Shareholder**" means any registered FGH Shareholder who is entitled to and does duly and validly exercises Dissent Rights and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights, but only in respect of the FGH Shares in respect of which Dissent Rights are validly exercised by such registered FGH Shareholder.

"**DRS Advice**" means a Direct Registration System Advice.

"**EDGAR**" means the SEC's Electronic Data Gathering, Analysis and Retrieval system.

"**Effective Date**" means the date the Arrangement becomes effective as agreed to by the Parties in accordance with the Final Order.

"**Effective Time**" means the beginning of the day (Vancouver time) on the Effective Date, or such other time on the Effective Date as the Parties agree to in writing before the Effective Date.

"**Employee Plan(s)**" means all health, welfare, supplemental unemployment benefit, post-employment benefit, bonus, profit sharing, option, stock appreciation, equity or equity-based, savings, insurance, incentive, incentive compensation, deferred compensation, share purchase, share compensation, termination, severance, change of control, disability, superannuation, pension, supplemental pension or supplemental retirement plans and other employee or director compensation or benefit plans, policies, practices, trusts, funds, agreements, arrangements or undertakings, whether oral or written, formal or informal, funded or unfunded, insured or uninsured, registered or unregistered, and in each case for the benefit of directors or former directors of the Company or any of its Subsidiaries, Company Employees, former Company Employees, or any spouses, dependents, survivors or beneficiaries of such Persons, which are maintained by or binding upon the Company or any of its Subsidiaries or in respect of which the Company or any of its Subsidiaries has any actual or potential liability but, for greater certainty, "**Employee Plan(s)**" does not include any Collective Agreements.

"**Environmental Laws**" means all applicable Laws relating to worker health and safety, pollution, natural resources, protection of the natural environment or any species that might make use of the natural environment or the generation, production, import, export, use, handling, storage, treatment, transportation, disposal or Release of Hazardous Substances, including under common law, and all Authorizations issued pursuant to such applicable Laws.

"**Exchange Ratio**" has the meaning ascribed thereto in the Plan of Arrangement.

"**Expense Reimbursement Amount**" has the meaning given to it in "*Summary of Material Agreements – The Arrangement Agreement –Expense Reimbursement*".

"**Fairness Opinion**" means the written opinion of the Financial Advisor to the effect that, as of October 21, 2022, and, subject to the assumptions, qualifications and limitations set forth therein, the Consideration to be paid to FGH Shareholders is fair, from a financial point of view, to such FGH Shareholders.

"**FGH Board**" means the board of directors of FGH, as constituted from time to time.

"**FGH Board Recommendation**" means a statement that the FGH Board has received the Fairness Opinion and has unanimously (with any interested directors having abstained from voting), after receiving legal and financial advice, determined that the Arrangement is fair, from a financial point of view, to the FGH Shareholders and that the Arrangement is in the best interests of the Company and recommends that the FGH Shareholders vote in favour of the Arrangement Resolution.

"**FGH Disclosure Letter**" means the disclosure letter dated October 21, 2022 and all schedules, exhibits and appendices thereto, delivered by FGH to Flora Growth with the Arrangement Agreement.

"**FGH Filings**" means all documents publicly filed under the profile of the Company on SEDAR since March 31, 2021.

"**FGH Options**" means the outstanding options to purchase FGH Shares issued pursuant to the FGH Stock Option Plan.

"**FGH RSUs**" means the outstanding restricted share units of FGH issued pursuant to the FGH RSU Plan, each entitling the holder thereof to receive FGH Shares, subject to the terms and conditions of the FGH RSU Plan.

"**FGH RSU Plan**" means the Franchise Global Health Inc. Share Unit Plan approved by FGH Shareholders on September 20, 2021.

"**FGH Shareholders**" means the registered and/or beneficial holders of the FGH Shares, as the context requires.

"**FGH Shares**" means common shares in the authorized share structure of the Company.

"**FGH Stock Option Plan**" means the Franchise Global Health Inc. Stock Option Plan last approved by FGH Shareholders on September 20, 2021.

"**FHSA**" has the meaning given to it in "*Certain Canadian Federal Income Tax Considerations – Eligibility for Investment*".

"**Final Order**" means the final order of the Court made pursuant to Section 291(4) of the BCBCA, after a hearing upon the fairness of the terms and conditions of the Arrangement and after being informed of the intention to rely upon the registration exemption provided in Section 3(a)(10) of the U.S. Securities Act with respect to the issuance of the Flora Shares to be issued pursuant to the Arrangement in exchange for the FGH Shares, in a form acceptable to the Company and Flora Growth, each acting reasonably, approving the Arrangement, as such order may be

amended by the Court (with the consent of both the Company and Flora Growth, each acting reasonably) at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both the Company and Flora Growth, each acting reasonably) on appeal.

"**Financial Advisor**" means Haywood Securities Inc., financial advisor to the Company.

"**Flora Board**" means the board of directors of Flora Growth, as constituted from time to time.

"**Flora Filings**" means all documents publicly filed under the profile of Flora Growth on EDGAR since January 1, 2021.

"**Flora Growth**" means Flora Growth Corp., a corporation existing under the OBCA.

"**Flora Shareholders**" means a holder of one or more Flora Shares.

"**forward-looking statements**" has the meaning given to it in "*Statements Regarding Forward-Looking Information*".

"**Franchise Newco**" has the meaning given to it in "*Information Concerning the Company – Overview*".

"**Franchise Oldco**" has the meaning given to it in "*Information Concerning the Company – Overview*".

"**German LOI**" has the meaning given to it in "*Information Concerning the Company – Price Ranges and Trading Volumes*".

"**Governmental Entity**" means (i) any international, multinational, national, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau, ministry, agency or instrumentality, domestic or foreign, (ii) any subdivision, agent, authority or representative of any of the above, (iii) any quasi-governmental or private body exercising any regulatory, anti-trust, foreign investment, expropriation or taxing authority under or for the account of any of the foregoing, or (iv) any stock exchange, including but not limited to, Bundesinstitut für Arzneimittel und Medizinprodukte (Federal Institute for Drugs and Medical Devices) and the Colombian Ministry of Agriculture, and Health Canada.

"**Hazardous Substances**" means (i) petroleum and petroleum products, by-products or breakdown products, radioactive materials, asbestos, asbestos-containing materials and polychlorinated biphenyls and (ii) any substance that is defined, regulated, prohibited, designated or classified as dangerous, hazardous, radioactive, explosive or toxic or a pollutant or a contaminant under or pursuant to any applicable Environmental Laws.

"**Holder**" has the meaning given to it in "*Certain Canadian Federal Income Tax Considerations*".

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standards Board.

"**Interim Order**" means the interim order of the Court made pursuant to Section 291(2) of the BCBCA providing for, among other things, the calling and holding of the Meeting and the voting requirements with respect to the Arrangement Resolution, as such order may be amended by the Court with the consent of the Company and Flora Growth, each acting reasonably.

"**Investment Canada Act**" means the *Investment Canada Act* (Canada).

"**Law**" means with respect to any Person, any and all applicable law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, notice, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities and, to the extent that they have the force of law, any policies, guidelines, notices and protocols of any Governmental Entity, as amended unless expressly specified otherwise.

"**Legal Proceedings**" means any litigation, action, application, suit, investigation, inquiry, hearing, claim, deemed complaint, grievance, civil, administrative, regulatory, criminal or arbitration proceeding or other similar proceeding, before or by any Governmental Entity (including any appeal or review thereof and any application for leave for appeal or review).

"**Letter of Transmittal**" means the letter of transmittal to be sent by FGH to FGH Shareholders in connection with the Arrangement in the form enclosed with the Circular pursuant to which the FGH Shareholders are required to deliver the certificates representing the FGH Shares in order to receive the Consideration in accordance with the Plan of Arrangement.

"**Liens**" means any mortgage, charge, pledge, hypothec, security interest, lien (statutory or otherwise), or adverse right or claim, or other third party interest or encumbrances of any kind.

"**LOI**" has the meaning given to it in "*The Arrangement – Background to the Arrangement*".

"**Matching Period**" has the meaning given to it in "*Summary of Material Agreements – The Arrangement Agreement – FGH Covenants Regarding Non-Solicitation*".

"**Material Adverse Effect**" means, in respect of either Party, any result, change, event, occurrence, effect, state of facts, development or circumstance that, individually or in the aggregate with other such changes, events, occurrences, effects, state of facts, developments or circumstances, is or would reasonably be expected to be material and adverse to the business, operations, results of operations, assets, properties, capitalization, obligations (whether absolute, accrued, conditional or otherwise), financial condition or liabilities (contingent or otherwise) of such Party and its Subsidiaries, taken as a whole, except any such change, event, occurrence, effect, state of facts or circumstance resulting from, arising in connection with or related to:

(a) any change or development generally affecting the industries or segments in which such Party and its Subsidiaries operate or carry on their business;

(b) any change or development in currency exchange, interest or inflation rates or in general economic, business, regulatory, political or market conditions or in financial, credit, commodities, securities or capital markets in Canada, the United States, Europe or globally;

(c) any adoption, proposal, implementation, application or non-application or change in applicable Law or any interpretation of applicable Law by any Governmental Entity;

(d) any change in IFRS or changes in applicable regulatory accounting requirements applicable to the industries in which it conducts business;

(e) any hurricane, flood, tornado, earthquake or other natural disaster or man-made disaster;

(f) the commencement or continuation of war, armed hostilities, including the escalation or worsening thereof, acts of terrorism, riots, insurrection, civil disorder, military conflicts, political instability or other armed conflict, national calamity, crisis or emergency, or any governmental response to any of the foregoing;

(g) the commencement or continuation of an epidemic, pandemic or other outbreak of illness or public health event, including the escalation or worsening thereof;

(h) the announcement of the Arrangement Agreement or the transactions contemplated thereby;

(i) any action taken (or omitted to be taken) by such Party or any of its Subsidiaries which is required to be taken (or omitted to be taken) pursuant to the Arrangement Agreement or that is consented to by the other Party in writing;

(j) any failure by such Party to meet any analysts' estimates or expectations of such Party's revenue, earnings or other financial performance or results of operations for any period, or any failure by such Party or any of its Subsidiaries to meet any internal budgets, plans or forecasts of its revenues, earnings or other financial performance or results of operations (it being understood that, without limiting the applicability of clauses (a) through (i) and (k) of this definition, the causes underlying such failure may be taken into account in determining whether a Material Adverse Effect has occurred); or

(k) any change in the market price or trading volume of any securities of such Party (it being understood that, without limiting the applicability of clauses (a) through (j) of this definition, the causes underlying such change may be taken into account in determining whether a Material Adverse Effect has occurred), or any suspension of trading in securities generally on any securities exchange on which any securities of such Party trade,

provided, however, that (A) with respect to clauses (a) through (g) of this definition, such matter does not have a materially disproportionate effect on such Party and its Subsidiaries, taken as a whole, relative to other comparable companies and entities operating in the industries in which such Party and/or its Subsidiaries operate, in which case such effect may be taken into account in determining whether a Material Adverse Effect in respect of such Party has occurred, and (B) references in the Arrangement Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretative for purposes of determining whether a Material Adverse Effect has occurred.

"**Material Contract**" means any Contract to which the Company or any of its Subsidiaries is a party: (i) that relates to any intellectual property rights of the Company; (ii) relating to indebtedness for borrowed money or pursuant to which the Company or any of its Subsidiaries has guaranteed the liabilities, obligations or indebtedness of any other Person; (iii) restricting, or which may in the future restrict, the incurrence of indebtedness by the Company or any of its Subsidiaries (including by requiring the granting of an equal and rateable Liens), the incurrence of any Liens on any properties or assets of the Company or any of its Subsidiaries, or the payment of dividends or other distributions by the Company or any of its Subsidiaries; (iv) relating to or providing for the establishment, investment in, organization, formation, or governance of any joint venture, limited liability company or partnership with any other Person; (v) that creates an exclusive dealing arrangement or right of first offer or refusal that is material to the Company and its Subsidiaries taken as a whole, to the benefit of a third party, other than industry standard agreements entered into in the Ordinary Course; (vi) providing for the purchase, sale or exchange of, or option to purchase, sell or exchange, any property or asset where the purchase or sale price or agreed value or fair market value of such property or asset exceeds $100,000; (vii) that limits or restricts, or may in the future limit or restrict, the ability of the Company or any Subsidiary to acquire any property, to engage in any line of business or to carry on business in any geographic area, or the scope of Persons to whom the Company or any of its Subsidiaries may sell products or deliver services; (viii) that constitutes a hedge contract, futures contract, swap contract, option contract or similar derivative Contract; (ix) under which the Company or any of its Subsidiaries is obligated to make or expects to receive payments in excess of $100,000 over the remaining term; (x) with any Governmental Entity; (xi) that constitutes an amendment, supplement, renewal or modification in respect of any of the foregoing; or (xii) which, if terminated or if it ceased to be in effect, would have a Material Adverse Effect on the Company.

"**Meeting**" means the special meeting of FGH Shareholders, including any adjournment or postponement of such meeting in accordance with the terms of the Arrangement Agreement, held in accordance with the Interim Order to consider the Arrangement Resolution and to transact such other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

"**Misrepresentation**" means an untrue statement of a material fact or an omission to state a material fact required or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made.

"**Nasdaq**" means The Nasdaq Capital Market.

"**Nasdaq Rules**" means The Nasdaq Stock Market LLC Rules, as may be waived or modified by Nasdaq from time to time.

"**NI 45-102**" means National Instrument 45-102 – *Resale of Securities*.

"**NOBOs**" has the meaning given to it in "*The Meeting – Voting of Proxies and Exercise of Discretion*".

"**Non-Resident Holder**" has the meaning given to it in "*Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada*".

"**Notice of Meeting**" means the notice of special meeting of FGH Shareholders, which accompanies and forms a part of this Circular.

"**Notice to Proceed**" has the meaning given to it in "*The Arrangement – Dissent Rights for FGH Shareholders*".

"**OBCA**" means the *Business Corporations Act* (Ontario).

"**OBOs**" has the meaning given to it in "*The Meeting – Voting of Proxies and Exercise of Discretion*".

"**Ordinary Course**" means, with respect to an action taken by a Party or its Subsidiary, that such action is consistent with the past practices of such Party or such Subsidiary, and is taken in the usual and ordinary course of the normal day-to-day operations of the business of such Party or such Subsidiary.

"**Outside Date**" means December 31, 2022, or such later date as may be agreed to in writing by the Parties.

"**Parties**" means the Company and Flora Growth and "**Party**" means any one of them.

"**Person**" includes any individual, partnership, limited liability company, incorporated or unincorporated association, joint venture, joint stock company, body corporate, trust, organization, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status.

"**Plan of Arrangement**" means the plan of arrangement, substantially in the form set out in Appendix "D", subject to any amendments or variations to such plan made in accordance with the Arrangement Agreement or made at the direction of the Court in the Final Order with the prior written consent of the Company and Flora Growth, each acting reasonably.

"**Qualifying Transaction**" has the meaning given to it in "*Information Concerning the Company – Overview*".

"**Record Date**" means November 9, 2022.

"**Registered Plan**" has the meaning given to it in "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Eligibility for Investment*".

"**Regulation S**" means Regulation S under the U.S. Securities Act.

"**Regulatory Approvals**" means, in respect of a Party, any consent, waiver, permit, exemption, review, order, decision or approval of, or any registration and filing with, any Governmental Entity, or the expiry, waiver or termination of any waiting period imposed by Law or a Governmental Entity, in each case required to be obtained or made by such Party in connection with the Arrangement or otherwise necessary to permit the Parties to complete their obligations under the Arrangement Agreement.

"**Release**" has the meaning prescribed in any Environmental Law and includes any sudden, intermittent or gradual release, spill, leak, pumping, addition, pouring, emission, emptying, discharge, injection, escape, leaching, disposal, dumping, deposit, spraying, burial, abandonment, incineration, seepage, placement or introduction of a Hazardous Substance, whether accidental or intentional, into the environment.

"**Release Date**" means the date that is 90 calendar days following the Effective Date.

"**Representatives**" has the meaning given to it in "*Summary of Material Agreements – The Arrangement Agreement – FGH Covenants Regarding Non-Solicitation"*.

"**Resident Holder**" has the meaning given to it in "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada*".

"**Restricted Legend**" means the legend or similar annotation to be carried (or, in the case of uncertificated Flora Shares, be deemed to be carried) by the certificates or any "direct registration system" statements or advice representing the Flora Shares issuable pursuant to the Arrangement providing for a restriction on trading such Flora Shares from the Effective Date until the Release Date, in accordance with the Transfer Restrictions and Exceptions.

"**Rule 144**" means Rule 144 under the U.S. Securities Act.

"**SEC**" means the United States Securities and Exchange Commission.

"**Section 3(a)(10) Exemption**" means the exemption from registration available under Section 3(a)(10) of the U.S. Securities Act for the offer and sale of a security that is issued in exchange for outstanding securities, claims or property interests, where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in exchange have the right to appear, by a court or by a governmental authority expressly authorized by Law to grant such approval.

"**Securities Act**" means the *Securities Act* (British Columbia).

"**Securities Authorities**" means the British Columbia Securities Commission and any other applicable securities commissions or securities regulatory authority of a province or territory of Canada.

"**Securities Laws**" means, unless the context otherwise requires, the Securities Act and all applicable securities Laws of the United States and Canada, including the federal, state, provincial and territorial rules, policies and regulations issued thereunder, and the published regulations, rules, policy statements, orders, instruments (including national and applicable multilateral instruments), notices and rulings of the securities commissions or equivalent securities regulatory bodies in such jurisdictions, including the applicable rules and policies of, with respect to the Company, the TSXV and, with respect to Flora Growth, the Nasdaq.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval maintained on behalf of the Securities Authorities.

"**Starke Entities**" has the meaning given to it in "*Summary of Material Agreements – Indemnity Provided by Clifford Starke*".

"**Starke Indemnity**" has the meaning given to it in "*Summary of Material Agreements – Indemnity Provided by Clifford Starke*".

"**Starke Nominees**" has the meaning given to it in "*Interest of Certain Persons in Matters to be Acted upon – The Starke Nominees*".

"**Subsidiary**" means a Person that is controlled directly or indirectly by another Person and includes a Subsidiary of that Subsidiary and, for purposes of this definition, a Person is considered to "control" another Person if: (i) the first Person beneficially owns or directly or indirectly exercises control or direction, by contract or otherwise, over securities of the second Person carrying votes which, if exercised, would entitle the first Person to elect a majority of the directors of the second Person, unless that first Person holds the voting securities only to secure an obligation, or (ii) the second Person is a partnership, other than a limited partnership, and the first Person holds more than 50% of the interests of the partnership, or (iii) the second Person is a limited partnership, and the general partner of the limited partnership is the first Person.

"**Superior Proposal**" means any *bona fide* written Acquisition Proposal from a Person or group of Persons acting jointly or in concert (other than Flora Growth and its affiliates) to acquire not less than all of the outstanding FGH Shares (other than the FGH Shares beneficially owned by the Person or group of Persons making such Superior Proposal) or all or substantially all of the assets of the Company on a consolidated basis: (i) that did not result from or involve a breach of Article 5 of the Arrangement Agreement; (ii) that is reasonably capable of being completed without undue delay, taking into account all financial, legal, regulatory and other aspects of such proposal and the Person or group of Persons making such proposal; (iii) that is not subject to any financing contingency and in respect of which, to the satisfaction of the FGH Board, acting in good faith, adequate arrangements have been made to ensure that the required funds will be available to effect payment in full for all of the FGH Shares or assets, as the case may be; (iv) that is not subject to any due diligence or access condition; (v) complies with applicable Laws in all material respects; and (vi) in respect of which the FGH Board determines, in its good faith judgment, after receiving the advice of its financial advisors and its outside legal advisors and after taking into account all the terms and conditions of the Acquisition Proposal, that the Acquisition Proposal would, if completed in accordance with its terms (but without assuming away any risk of non-completion), result in a transaction which is more favourable, from a financial point of view, to the FGH Shareholders than the Arrangement (including any amendments to the terms and conditions of the Arrangement proposed by Flora Growth pursuant to the Arrangement Agreement).

"**Superior Proposal Notice**" has the meaning given to it in "*Summary of Material Agreements – The Arrangement Agreement – FGH Covenants Regarding Non-Solicitation*".

"**Tax Act**" means the *Income Tax Act* (Canada).

"**Tax Proposals**" has the meaning given to it in "*Certain Canadian Federal Income Tax Considerations*".

"**Tax Returns**" means any and all returns, reports, declarations, elections, notices, forms, designations, filings, and statements (including estimated tax returns and reports, withholding tax returns and reports, and information returns and reports) filed or required to be filed in respect of Taxes.

"**taxable capital gain**" has the meaning given to it in "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*".

"**Taxes**" means (i) any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever imposed by any Governmental Entity, whether computed on a separate, consolidated, unitary, combined or other basis, including those levied on, or measured by, or described with respect to, income, gross receipts, profits, gains, windfalls, capital, capital stock, production, recapture, transfer, land transfer, license, gift, occupation, wealth, escheat, environment, net worth, indebtedness, surplus, sales, goods and services, harmonized sales, provincial sales, use, value-added, excise, special assessment, stamp, withholding, business, franchising, real or personal property, health, employee health, payroll, workers' compensation, employment or unemployment, severance, social services, social security, education, utility, surtaxes, customs, import or export, and including all license and registration of fees and all employment insurance, health insurance and government pension plan premiums or contributions; (ii) all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Entity on or in respect of amounts of the type described in clause (i) above or this clause (ii); (iii) any liability for the payment of any amounts of the type described in clauses (i) or (ii) for or to or in respect of any other Person, including as a result of being a member of an affiliated, consolidated, combined or unitary group for any period or by virtue of any statute (including under sections 159 and 160 of the Tax Act); and (iv) any liability for the payment of any amounts of the type described in clauses (i) or (ii) as a result of any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any party.

"**Termination Amount**" has the meaning given to it in "*Summary of Material Agreements – The Arrangement Agreement – Termination Payment*".

"**Transfer Restrictions and Exceptions**" means, in relation to the Flora Shares issuable pursuant to the Arrangement, until the Release Date, such Flora Shares may not be transferred without the consent of Flora, except that a former FGH Shareholder (or a permitted transferee thereof), in relation to Flora Shares owned beneficially or of record by it, may: (i) mortgage or charge such Flora Shares as collateral for a loan; (b) exercise voting rights attaching to such Flora Shares; (c) receive dividends or other distributions on such Flora Shares; (d) transfer, sell or tender such Flora Shares pursuant to a take-over bid (as defined in the Securities Act) or any similar transaction, including without limitation a merger, arrangement or amalgamation, involving a chance of control of Flora Growth; (e) transfer such Flora Shares to any nominee or custodian (including a trust) where there is no change in beneficial ownership (other than a change in beneficial ownership resulting from a transfer to a trust for the direct or indirect benefit of the immediate family members of the former FGH Shareholder (or a permitted transferee thereof); (f) effect such sales as may be contemplated pursuant to the withholding rights in the Plan of Arrangement; or (g) where the former FGH Shareholder (or a permitted transferee thereof) is a corporate entity, a transfer to an affiliate or a shareholder of that former FGH Shareholder (or permitted transferee thereof); provided that any permitted transferee will receive Flora Shares that contain the Restricted Legend.

"**TSX Trust**" means TSX Trust Company, the registrar and transfer agent for the FGH Shares.

"**TSXV**" means the TSX Venture Exchange.

"**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

"**U.S. Investment Company Act**" means the Investment Company Act of 1940 of the United States of America, as amended.

"**U.S. Securities Act**" means the Securities Act of 1933 of the United States of America, as amended.

"**U.S. Securities Laws**" means the U.S. Securities Act, the U.S. Exchange Act, the U.S. Investment Company Act, any applicable U.S. federal securities laws, rules and regulations promulgated thereunder and any applicable U.S. state securities laws.

"**Voting Support Agreements**" means the voting support agreements entered into from time to time between certain FGH Shareholders, on the one hand, and Flora Growth, on the other hand.

"**VWAP**" means the volume-weighted average trading price.

APPENDIX "A" – ARRANGEMENT RESOLUTION

BE IT RESOLVED, AS A SPECIAL RESOLUTION, THAT:

1. The arrangement (the "**Arrangement**") under Part 9, Division 5 of the *Business Corporations Act* (British Columbia) (the "**BCBCA**") involving Franchise Global Health Inc. (the "**Company**") and Flora Growth Corp. ("**Flora**"), pursuant to the arrangement agreement between the Company and Flora dated October 21, 2022, as it may be modified, supplemented or amended from time to time in accordance with its terms (the "**Arrangement Agreement**"), as more particularly described and set forth in the management information circular of the Company dated November 14, 2022 (the "**Circular**") (as the Arrangement may be modified or amended in accordance with its terms), and all transactions contemplated thereby, are hereby authorized, approved and adopted.

2. The plan of arrangement of the Company, as it has been or may be modified, supplemented or amended in accordance with the Arrangement Agreement and its terms (the "**Plan of Arrangement**"), the full text of which is set out as Appendix "D" to the Circular, is hereby authorized, approved and adopted.

3. The: (i) Arrangement Agreement and all the transactions contemplated therein; (ii) actions of the directors of the Company in approving the Arrangement and the Arrangement Agreement; and (iii) actions of the directors and officers of the Company in executing and delivering the Arrangement Agreement and any modifications, supplements or amendments thereto, and causing the performance by the Company of its obligations thereunder, are hereby ratified and approved.

4. The Company is authorized and directed to apply for a final order from the Supreme Court of British Columbia (the "**Court**") to approve the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement.

5. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the holders of common shares of the Company (the "**Company Shareholders**") or that the Arrangement has been approved by the Court, the directors of the Company are hereby authorized and empowered, without further notice to or approval of the Company Shareholders: (i) to amend, modify or supplement the Arrangement Agreement or the Plan of Arrangement to the extent permitted by their terms; and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and any related transactions.

6. Any one or more director or officer of the Company be and is hereby authorized and directed, for and on behalf of the Company to make an application to the Court for an order approving the Arrangement, to execute, under the corporate seal of the Company or otherwise, and to deliver all such deeds, instruments, assurances, agreements, forms, waivers, notices, certificates, confirmations and such other documents as are necessary or desirable to give effect to these resolutions, the Arrangement and the Plan of Arrangement in accordance with the Arrangement Agreement.

7. Any one or more officer or director of the Company is hereby authorized and directed, for and on behalf of the Company, to execute or cause to be executed and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as, in such person's opinion, may be necessary or desirable to give full force and effect to the foregoing resolutions, the Arrangement Agreement and the completion of the Arrangement and the matters authorized thereby, including all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities, such determination to be conclusively evidenced by the execution and delivery of any such other document or instrument or the doing of any such other act or thing.

APPENDIX "B" – INTERIM ORDER

(Please see attached)

SUPREME COURT
OF BRITISH COLUMBIA
VANCOUVER REGISTRY
NOV 14 2022
ENTERED

Form 35 (Rules 8-4(1), 13-1(3) and 17-1(2))

No. S229040
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 288 OF THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA), S.B.C. 2002, C. 57, AS AMENDED

AND

IN THE MATTER OF AN ARRANGEMENT INVOLVING FRANCHISE GLOBAL HEALTH INC., CERTAIN OF ITS SECURITYHOLDERS, AND FLORA GROWTH CORP.

Re: FRANCHISE GLOBAL HEALTH INC., PETITIONER

ORDER MADE AFTER APPLICATION
(INTERIM ORDER)

BEFORE	)	MONDAY, THE 14th DAY OF
MASTER MUIR	)	NOVEMBER, 2022

ON THE APPLICATION of the Petitioner, Franchise Global Health Inc. ("**Franchise**" or the "**Petitioner**"), coming on for hearing WITHOUT NOTICE at Vancouver, British Columbia on Monday, November 14th, 2022 and on hearing counsel for the Petitioner, Jonathan B. Ross and on reading the Affidavit of Clifford Starke made November 9, 2022 (the "**Affidavit**"); and on being advised that it is the intention of Flora Growth Corp. ("**Flora**") to rely upon Section 3(a)(10) of the United States Securities Act of 1933 (the "**1933 Act**") as a basis for an exemption from the registration requirements of the 1933 Act with respect to common shares of Flora issued to Franchise Shareholders (as defined herein) and holders of stock options, compensation options and restricted share units of Franchise (together with the Franchise Shareholders, the "**Franchise Securityholders**") under the proposed Plan of Arrangement (as defined herein) based on the Court's approval of the Arrangement (as defined herein):

THIS COURT ORDERS that:

1. The Petitioner, be permitted to convene, hold and conduct a special meeting (the "**Meeting**") of the holders (the "**Franchise Shareholders**") of the common shares of the Petitioner (the "**Franchise Shares**") to be held at 10:00 a.m. (Eastern time) on December 13, 2022 at the offices of Gowling WLG (Canada) LLP located at 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario, M5X 1G5 (or entirely or in part by telephone or other communications medium), to *inter alia*:

(a) consider and, if deemed advisable, pass, with or without variation, a special resolution (the "**Special Resolution**"): (i) authorizing, approving and adopting, with or without amendment, an arrangement (the "**Arrangement**") and the plan of arrangement implementing the Arrangement (the "**Plan of Arrangement**") substantially in the form attached as Schedule A to the Arrangement Agreement dated October 21, 2022 between the Petitioner and Flora Growth Corp. ("**Flora**") (the "**Arrangement Agreement**") which is attached as Exhibit "D" to the Affidavit, involving Franchise, Franchise Securityholders and Flora; and

(b) transact such further or other business, including amendments to the foregoing, as may properly come before the Meeting or any adjournment or postponement thereof.

2. The Meeting shall be called, held and conducted on December 13, 2022 or such other date and in such manner as may be agreed upon by Franchise and Flora, and shall be called, held and conducted in accordance with:

(a) the *Business Corporations Act*, S.B.C. 2002, c. 57, as amended (the "**BCBCA**");

(b) the Articles of the Petitioner;

(c) the notice of special meeting for the Meeting and accompanying management information circular substantially in the form attached as Exhibit "A" to the Affidavit (collectively, the "**Circular**"); and

(d) applicable securities laws,

and shall be subject to the terms of this Interim Order and any further Order of this Court, and the rulings and directions of the Chairman of the Meeting, such rulings and directions not to be inconsistent with this Interim Order, and to the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating or governing or collateral to the securities of the Petitioner or to which such securities are collateral or the Articles of the Petitioner, this Interim Order shall govern.

AMENDMENTS

3. The Petitioner is authorized to make, in the manner contemplated by and subject to the Arrangement Agreement, such amendments, revisions or supplements to the Arrangement Agreement, Arrangement, Plan of Arrangement or Circular as it may determine without any additional notice to the Franchise Shareholders or any further Order of this Court. The Arrangement Agreement, Arrangement and Plan of Arrangement as so amended, revised or supplemented shall be the Arrangement Agreement, Arrangement and Plan of Arrangement submitted to the Meeting, and the subject of the Special Resolution.

ADJOURNMENTS AND POSTPONEMENTS

4. Notwithstanding the provisions of the BCBCA and the Articles of the Petitioner, and subject to the terms of the Arrangement Agreement, the Board of Directors of the Petitioner by resolution shall be entitled to adjourn or postpone the Meeting on one or more occasions without the necessity of first convening the Meeting or first obtaining any vote of the Franchise Shareholders respecting the adjournment or postponement and without the need for approval of the Court, subject to the Arrangement Agreement. Notice of any such adjournment or postponements shall be given by press release, news release, newspaper advertisement, or by notice sent to the Franchise Shareholders by one of the methods specified in paragraph 6 of this Interim Order, as determined to be the most appropriate method of communication by the Board of Directors of the Petitioner. The Record Date (as defined herein) shall not change in respect of any adjournments or postponements of the Meeting.

RECORD DATE

5. The record date (the "**Record Date**") for determining Franchise Shareholders entitled to receive notice of and attend at the Meeting is the close of business on November 9, 2022 or such other date as the Board of Directors of the Petitioner may determine and as disclosed to the Franchise Shareholders in the manner they see fit.

NOTICE OF THE MEETING AND APPLICATION FOR FINAL ORDER

6. The following information:

   (a) the Circular (including the Fairness Opinion and this Interim Order), substantially in the form attached as Exhibit "A" to the Affidavit;

   (b) Notice of Hearing of Petition (the "**Notice of Hearing of Petition**"), substantially in the form attached as Exhibit "B" to the Affidavit; and

   (c) the signed Fairness Opinion, substantially in the form attached as Exhibit "C" to the Affidavit;

   (d) the form of proxy or voting instruction form for use by the Franchise Shareholders in connection with the Meeting, substantially in the forms attached as Exhibit "E" to the Affidavit; and

   (e) a letter of transmittal to be used by Franchise Shareholders in connection with the Meeting, which letter is not attached to the Affidavit but will be mailed to Franchise Shareholders in advance of the Meeting,

   (collectively, the "**Meeting Materials**"), with such deletions, amendments and inclusions thereto as counsel for the Petitioner may deem necessary or

desirable, provided that such deletions, amendments and inclusions are not inconsistent with the terms of this Interim Order, shall be sent to:

(e) the registered Franchise Shareholders as they appear on the securities registers of the Petitioner or the records of its registrar and transfer agent as at the Record Date, but not to Franchise Shareholders who the Petitioner has sent a record but had such record returned because the shareholder could not be located, such Meeting Materials to be sent at least twenty-one (21) days prior to the date of the Meeting, by one of the following methods:

(i) by prepaid ordinary or air-mail addressed to the Franchise Shareholder at his, her, or its address as it appears on the applicable securities registers of the Petitioner as at the Record Date;

(ii) by delivery in person or by delivery to the addresses specified in paragraph (i) above; or

(iii) by email or facsimile transmission to any Franchise Shareholder who identifies himself, herself or itself to the satisfaction of the Petitioner, acting through its representatives, who requests such email or facsimile transmission;

(f) the directors and auditors of the Petitioner by mailing the Meeting Materials by prepaid ordinary mail, or by email or facsimile transmission, to such persons at least twenty-one (21) days prior to the date of the Meeting; and

(g) in the case of non-registered holders of Franchise Shares, by providing copies of the Meeting Materials to intermediaries and registered nominees for sending to beneficial owners in accordance with National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators at least four (4) business days prior to the twenty-first (21st) day prior to the date of the Meeting.

7. Delivery of the Meeting Materials as ordered herein shall constitute compliance with the requirements of section 290(1)(a) of the BCBCA and the Petitioner shall not be required to send to Franchise Shareholders any other or additional statement pursuant to 290(1)(a) of the BCBCA.

8. Provided that notice of the Meeting is given and the Meeting Materials are provided to the Franchise Shareholders and other persons entitled thereto in compliance with this Interim Order, the requirement of Section 290(1)(b) of the BCBCA to include certain disclosure in any advertisement of the Meeting is waived.

9. The accidental delay, failure or omission to give notice of the Meeting or to deliver the Meeting Materials, or the non-receipt of such notices or materials by, or any failure or omission to give such notice or deliver materials as a result of events beyond the reasonable control of the Petitioner (including, without limitation, any inability to use postal services) to any one or more of the persons specified herein shall not constitute a breach of this Interim Order, or in relation to notice to the Franchise Shareholders, a defect in the calling of the Meeting, and shall not invalidate any resolution passed or proceeding taken at the Meeting or step taken in these court proceedings, but if any such failure or omission is brought to the attention of the Petitioner then it shall use reasonable best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

10. The Notice of Hearing of Petition and the Circular (collectively, the "**Application Materials**") in substantially the form attached as Exhibits "B" and "A", respectively, to the Affidavit, with such deletions, amendments and inclusions thereto as counsel for the Petitioner may deem necessary or desirable, provided that such deletions, amendments and inclusions are not inconsistent with the terms of this Interim Order, shall be mailed by prepaid ordinary mail, facsimile or e-mail to the holders of Franchise stock options, compensation options and restricted share units (together with the Franchise Shareholders, the "**Franchise Securityholders**") on or around 21 days prior to the date of the Meeting at the addresses which appear on the books of Franchise on the Record Date.

11. The Petitioner be at liberty to give notice of these proceedings to persons outside the jurisdiction of this Court in the manner specified herein.

12. Service of the Notice of Hearing of Petition in substantially the form attached as Exhibit "B" to the Affidavit in accordance with this Interim Order shall constitute good and sufficient notice of these court proceedings and of the Final Application (as defined in clause 34 herein) upon all who may wish to appear, in compliance with the *Supreme Court Civil Rules*.

13. For certainty, other than as specifically set out herein, no materials need be served on any persons in respect of these proceedings and, in particular, service of the Petition herein and the accompanying affidavit and additional affidavits as may be filed is hereby dispensed with.

DEEMED RECEIPT OF NOTICE

14. The Meeting Materials and Application Materials or other documents served in accordance with this order shall be deemed to have been received:

    (a) in the case of mailing, the day, Saturdays and holidays excepted, following the date of mailing;

(b) in the case of delivery in person, the day following personal delivery or the day following delivery to the person's address in paragraph 6 above; and

(c) in the case of any means of transmitted, recorded or electronic communication, when dispatched or delivered for dispatch.

UPDATING MEETING MATERIALS

15. Notice of any amendments, updates or supplement to any of the information provided in the Meeting Materials or Application Materials may be communicated to the Franchise Securityholders or any other persons entitled thereto by press release, news release, newspaper advertisement or by notice sent to the Franchise Securityholders by any of the means set forth in paragraph 6 herein, as determined to be the most appropriate method of communication by the Board of Directors of the Petitioner.

CONDUCT OF THE MEETING

16. The Chairman of the Meeting shall be an officer or director of the Petitioner or such other person as may be appointed by the Franchise Shareholders for that purpose.

17. The Chairman of the Meeting is at liberty to call on the assistance of legal counsel to the Petitioner at any time and from time to time, as the Chairman of the Meeting may deem necessary or appropriate, during the Meeting, and such legal counsel is entitled to attend the Meeting for this purpose.

18. The only persons entitled to attend or speak at the Meeting shall be the Franchise Shareholders, their proxyholders, the auditors of the Petitioner, the officers and directors of the Petitioner, employees and agents of the Petitioner's transfer agent, TSX Trust Company, the professional and legal advisors to the Petitioner, and such other persons with the permission of the Chairman of the Meeting. Directors and officers of Flora and Flora's advisors (including legal and financial advisors) shall be entitled to attend the Meeting.

19. The Meeting may be adjourned for any reason upon the approval of the Chairman of the Meeting, and if the Meeting is adjourned, it shall be reconvened at a place and time to be designated by the Chairman of the Meeting to a date which is not more than 30 days thereafter except for the reason of a lack of quorum.

QUORUM AND VOTING

20. The quorum at the Meeting consists of not less than two shareholders present in person (or, being a corporation, partnership, trust or other non-individual legal entity represented in accordance with the provisions of the BCBCA), or by proxy holding not less than 5% of the issued and outstanding Franchise Shares entitled to be voted at the Meeting.

21. If no quorum for the Meeting is present within one-half hour from the time set for the holding of the Meeting, the Meeting shall stand adjourned to the same day in the next week at the same time and place and, if such day is a non-business day, the next business day following such day at the same time and place, and if at such adjourned meeting a quorum is not present within one-half hour from the time set for the holding of the Meeting, the Franchise Shareholders present, or represented by proxy, and being one or more Franchise Shareholders entitled to vote at the Meeting, shall constitute a quorum.

22. Each Franchise Shareholder shall be entitled to one vote for each Franchise Share held by such registered holder.

23. The requisite approval for the Special Resolution shall be the affirmative vote of not less than two thirds (66 2/3%) of the votes cast by the Franchise Shareholders present in person or represented by proxy at the Meeting voting together as a single class, and a simple majority (greater than 50%) of the votes cast by the Franchise Shareholders present in person or represented by proxy at the Meeting, after excluding the votes cast by persons whose votes are required to be excluded in determining minority approval in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

24. The only persons entitled to vote at the Meeting or any adjournment(s) thereof either in person or by proxy shall be the Franchise Shareholders as at the close of business on the Record Date.

25. For the purposes of the Meeting, any spoiled votes, illegible votes, defective votes and abstentions shall be deemed to be votes not cast. Proxies that are properly signed and dated, but which do not contain voting instructions shall be voted in favour of the Special Resolution.

SCRUTINEERS

26. A representative of the Petitioner's registrar and transfer agent (or any agent thereof) is authorized to act as a scrutineer for the Meeting.

SOLICITATION OF PROXIES

27. The Petitioner is authorized to use the form of proxy or voting instruction form in connection with the Meeting in substantially the same forms contained in Exhibit "E" to the Affidavit, and the Petitioner may in its discretion waive generally the time limits for deposit of proxies by Franchise Shareholders if the Petitioner deems it reasonable to do so. The Petitioner is authorized, at its expense, to solicit proxies, directly and through its officers, directors and employees, and through such agents or representatives as it may retain for that purpose, and by mail or such other forms of personal or electronic communication as it may determine.

28. The procedure for the use of proxies at the Meeting shall be as set out in the Meeting Materials.

DISSENT RIGHTS

29. Each registered Franchise Shareholder shall be accorded the rights of dissent with respect to the Special Resolution approving the Arrangement, as set out in Division 2 of Part 8 of the BCBCA, as modified by the Plan of Arrangement and this Interim Order.

30. Registered Franchise Shareholders will be the only Franchise Shareholders entitled rights of dissent. A beneficial holder of Franchise Shares registered in the name of a broker, custodian, trustee, nominee or other intermediary who wishes to dissent must make arrangements for the registered Franchise Shareholder to dissent on behalf of the beneficial holder of Franchise Shares or, alternatively, make arrangements to become a registered Franchise Shareholder.

31. In order for a registered Franchise Shareholder to exercise such rights of dissent (the "**Dissent Right**"):

    (a) such dissenting Franchise Shareholder must deliver a written notice of dissent which must be received by Franchise at its address for such purpose by (i) mail or hand delivery to Suite 2300, 550 Burrard Street, Vancouver, BC, V6C 2B5, Attention: Jonathan B. Ross; or (ii) facsimile transmission to 604-683-3558, in either case no later than 4:30 p.m. (Vancouver time) on the business day that is two (2) business days preceding the Meeting or on the business day that is two (2) business days preceding any date to which the Meeting may be postponed or adjourned;

    (b) such dissenting Franchise Shareholder must not have voted his, her or its Franchise Shares at the Meeting, either by proxy or in person, in favour of the Special Resolution;

    (c) such dissenting Franchise Shareholder must dissent with respect to all of the Franchise Shares held by such person; and

    (d) the exercise of such Dissent Right must otherwise comply with the requirements of Division 2 of Part 8 of the BCBCA as modified by the Plan of Arrangement, the Interim Order and the Final Order.

32. Notice to the Franchise Shareholders of their Dissent Right with respect to the Special Resolution will be given by including information with respect to the Dissent Right in the Circular to be sent to Franchise Shareholders in accordance with the Interim Order.

33. Subject to the further order of this Court, the rights available to the Franchise Shareholders under the BCBCA and the Plan of Arrangement to dissent from the

Arrangement will constitute full and sufficient Dissent Rights for the Franchise Shareholders with respect to the Arrangement.

APPLICATION FOR THE FINAL ORDER

34. Upon the approval, with or without variation, by the Franchise Shareholders of the Special Resolution, in the manner set forth in this Interim Order, the Petitioner may apply to this Court for an order (being the Final Order):

    (a) pursuant to section 291(4)(c) of the BCBCA, declaring that the Arrangement, including the terms and conditions thereof and the distributions, issuances, exchanges and/or adjustments of securities contemplated therein or in connection therewith, is fair and reasonable (both procedurally and substantively) to the Franchise Securityholders; and

    (b) pursuant to section 291(4)(a) of the BCBCA, approving the Arrangement, including the terms and conditions thereof and the distributions, issuances, exchanges and/or adjustments of securities contemplated therein or in connection therewith,

    and the application for the Final Order (the "**Final Application**") shall be set down for hearing before a Judge at the Courthouse at 800 Smithe Street, Vancouver, British Columbia, on December 16, 2022 or such other date and time as the directors of the Petitioner may by resolution decide, and the hearing of the Final Application pursuant to the Petition is hereby adjourned to December 16, 2022.

35. Any Franchise Securityholder, any director or auditor of the Petitioner, or any other interested party with leave of the Court may appear and make submissions at the Final Application provided that such person first file a Response to Petition, in the form prescribed by the *Supreme Court Civil Rules* and deliver a copy of the filed Response to Petition, together with a copy of all material on which such person intends to rely at the Final Application, including an outline of the basis for such person's proposed submissions, to the solicitors for the Petitioner at Gowling WLG (Canada) LLP, 550 Burrard Street, Suite 2300, Vancouver, British Columbia V6C 2B5, Attention: Jonathan B. Ross, on or before 4:00 p.m. (Vancouver time) on December 14, 2022, or as the Court may otherwise direct.

36. The only persons entitled to any further notice of any court proceedings herein, including any hearing to sanction and approve the Arrangement, or to appear and be heard thereon, shall be the solicitors for the Petitioner and those persons who have delivered a Response to Petition in accordance with this Interim Order.

37. If the Final Application is adjourned, only those persons who have filed and delivered a Response to Petition in accordance with this Order need to be served and provided with notice of the adjourned date and any filed materials.

38. The Petitioner shall be at liberty, at any time, to apply to vary this Order or for such further order or orders as may be appropriate upon 2 business days' notice to those persons who have filed and delivered a response to Petition in accordance with this Order.

39. The provisions of Rule 16-1 and Rule 8-1 are hereby dispensed with for the purposes of any further application to be made pursuant to this Petition.

40. To the extent of any inconsistency or discrepancy between this Interim Order and the Circular, the BCBCA, applicable securities laws or the Articles of the Petitioner, this Interim Order shall prevail.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

By the Court

Counsel for the Petitioner
Jonathan B. Ross

REGISTRAR

CHECKED

APPENDIX "C" – NOTICE OF PETITION

(Please see attached)

No. S229040
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF SECTION 288 OF THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA), S.B.C. 2002, C. 57, AS AMENDED

AND

IN THE MATTER OF AN ARRANGEMENT INVOLVING FRANCHISE GLOBAL HEALTH INC., CERTAIN OF ITS SECURITYHOLDERS AND FLORA GROWTH CORP.

Re: FRANCHISE GLOBAL HEALTH INC., PETITIONER

NOTICE OF HEARING OF PETITION

TAKE NOTICE that the petition of Franchise Global Health Inc. (the "**Petitioner**" or "**Franchise**") dated November 9, 2022 for approval of a plan of arrangement (the "**Arrangement**") pursuant to the *Business Corporations Act* (British Columbia), S.B.C. 2002, c. 57, as amended, and for an Order (the "**Final Order**") determining that the Arrangement, including the terms and conditions thereof and the distributions, issuances, exchanges and/or adjustments of securities contemplated therein, is procedurally and substantively fair and reasonable to the holders of common shares, stock options, compensation options and restricted share units of the Petitioner (the "**Securityholders**") and is approved by the Court, will be heard at the courthouse at 800 Smithe Street, Vancouver, BC V6Z 2E1 on December 16, 2022 at 9:45 a.m. or as soon thereafter as counsel may be heard (the "**Final Application**").

AND NOTICE IS FURTHER GIVEN that by an Order Made After Application of the Supreme Court of British Columbia, pronounced November 14, 2022 the Court has given directions as to the calling of the annual general and special meeting of the registered holders of common shares of the Petitioner for the purpose of, among other things, considering and voting upon the Arrangement and approving the Arrangement.

AND NOTICE IS FURTHER GIVEN that the Final Order approving the Arrangement as procedurally and substantively fair and reasonable to the Securityholders will, if made, serve as the basis of a claim to an exemption from the registration requirements of the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), pursuant to Section 3(a)(10) thereof, regarding the issuance, exchange and distribution of common shares of Flora Growth Corp. to the Petitioner's Securityholders.

IF YOU WISH TO BE HEARD, any Securityholder, any director or auditor of the Petitioner, or any other interested party with leave of the Court, may appear and make submissions at the hearing of the application for the Final Application provided that such person first files a Response to Petition, in the form prescribed by the Supreme Court Civil Rules and delivers a copy of a filed Response to Petition, together with a copy of all material on

which such person intends to rely at the Final Application, including an outline of such person's proposed submissions, on or before 4:00 p.m. (Vancouver time) on December 14, 2022, or as the Court may otherwise direct, to the solicitors for the Petitioner at:

Gowling WLG (Canada) LLP
550 Burrard Street, Suite 2300
Vancouver, British Columbia V6C 2B5
Attention: Jonathan B. Ross

IF YOU WISH TO BE NOTIFIED OF ANY ADJOURNMENT OF THE FINAL APPLICATION, YOU MUST GIVE NOTICE OF YOUR INTENTION by filing and delivering a Response to Petition, as aforesaid.

AT THE HEARING OF THE FINAL APPLICATION, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court deems fit.

IF YOU DO NOT FILE A RESPONSE TO PETITION and attend either in person or by counsel at the time of such hearing, the Court may approve the Arrangement, as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, all without any further notice to you. If the Arrangement is approved, it will significantly affect the rights of the Securityholders.

Date: November 14, 2022

Signature of lawyer for Petitioner
Jonathan B. Ross

APPENDIX "D" – FORM OF PLAN OF ARRANGEMENT

PLAN OF ARRANGEMENT UNDER PART 9, DIVISION 5 OF THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA)

ARTICLE 1 - INTERPRETATION

1.1 Definitions

Unless indicated otherwise, where used in this Plan of Arrangement, capitalized terms used but not defined shall have the meanings specified in the Arrangement Agreement and the following terms shall have the following meanings (and grammatical variations of such terms shall have corresponding meanings):

"**Agent Compensation Options**" means the outstanding compensation options of the Company exercisable to purchase Company Common Shares.

"**Arrangement**" means the arrangement under Part 9, Division 5 of the BCBCA on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations made in accordance with the terms of the Arrangement Agreement or Section 5.1 of this Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of the Company and the Purchaser, each acting reasonably.

"**Arrangement Agreement**" means the arrangement agreement made as of October 21, 2022 between the Purchaser and the Company (including the Schedules thereto) as it may be amended, modified or supplemented from time to time in accordance with its terms.

"**Arrangement Resolution**" means the special resolution approving this Plan of Arrangement to be considered at the Company Meeting by the Company Shareholders entitled to vote thereon pursuant to the Interim Order.

"**BCBCA**" means the Business Corporations Act (British Columbia).

"**Business Day**" means any day of the year, other than a Saturday, a Sunday or any day on which major banks are closed for business in Vancouver, British Columbia or Toronto, Ontario.

"**Closing Price**" means the Purchaser VWAP for the 20 trading days immediately preceding the third Business Day prior to the Effective Date.

"**Company**" means Franchise Global Health Inc., a company existing under the laws of the Province of British Columbia.

"**Company Common Shares**" means, at any time, the outstanding common shares in the authorized share structure of the Company.

"**Company Meeting**" means the special meeting of Company Shareholders, including any adjournment or postponement of such meeting in accordance with the terms of the Arrangement Agreement, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution and for any other purpose as may be set out in the Company Circular and agreed to in writing by the Purchaser.

"**Company Options**" means the outstanding options of the Company to purchase Company Common Shares issued pursuant to the Company Stock Option Plan.

"**Company RSU Plan**" means the Franchise Global Health Inc. Share Unit Plan last approved by Company Shareholders on September 20, 2021.

"**Company RSUs**" means, collectively, the outstanding restricted share units of the Company issued pursuant to the Company RSU Plan.

"**Company Shareholders**" means the registered and/or beneficial holders of Company Common Shares, as the context requires.

"**Company Stock Option Plan**" means the Franchise Global Health Inc. Stock Option Plan last approved by Company Shareholders on September 20, 2021.

"**Consideration**" means the Exchange Ratio of a Purchaser Common Share for each Company Common Share.

"**Court**" means the Supreme Court of British Columbia, or other court as applicable.

"**Depositary**" means the trust company, bank or financial institution agreed to in writing between the Purchaser and the Company for the purpose of, among other things, working in connection with the transfer agents for the Company and the Purchaser, the Canadian Depository for Securities Limited and the Depository Trust & Clearing Corporation to distribute the Purchaser Common Shares comprising the Consideration.

"**Dissent Rights**" has the meaning specified in Section 3.1(a).

"**Dissenting Share**" has the meaning specified in Section 2.3(b)(i).

"**Dissenting Shareholder**" means a registered Company Shareholder who has validly exercised his, her or its Dissent Rights and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights, but only in respect of the Company Common Shares in respect of which Dissent Rights are validly exercised by such registered Company Shareholder.

"**Effective Date**" means the date the Arrangement becomes effective as agreed to by the Parties in accordance with the Final Order.

"**Effective Time**" means the beginning of the day (Vancouver time) on the Effective Date, or such other time on the Effective Date as the Parties agree to in writing before the Effective Date.

"**Exchange Ratio**" means the Initial Exchange Ratio, except that (A) if the Closing Price is greater than US$1.25 but less than US$1.49, then the Exchange Ratio will be calculated as (i) the Initial Price per Company Common Share divided by (ii) the Closing Price; and (B) if the Closing Price is greater than or equal to US$1.49, then the Exchange Ratio will be calculated as (i) the Initial Price per Company Common Share divided by (ii) US$1.49; provided, however, that the aggregate Consideration payable for all Company Common Shares (including the Company Common Shares allotted and issued pursuant to Section 2.3(a)(iv) hereof) will in no event be more than 43,525,951 Purchaser Common Shares nor be less than 36,515,060 Purchaser Common Shares. For greater certainty, if the Closing Price is less than US$1.25, then the Exchange Ratio shall be the Initial Exchange Ratio.

"**Final Order**" means the final order of the Court made pursuant to Section 291(4) of the BCBCA, after a hearing upon the fairness of the terms and conditions of the Arrangement and after being informed of the intention to rely upon the registration exemption provided in Section 3(a)(10) of the U.S. Securities Act with respect to the issuance of the Purchaser Common Shares to be issued pursuant to the Arrangement in exchange for the Company Common Shares, in a form acceptable to the Company and the Purchaser, each acting reasonably, approving the Arrangement, as such order may be amended by the Court (with the consent of both the Company and the Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided

that any such amendment is acceptable to both the Company and the Purchaser, each acting reasonably) on appeal.

"**Governmental Entity**" means (i) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau, ministry, agency or instrumentality, domestic or foreign, (ii) any subdivision, agent, authority or representative of any of the above, (iii) any quasigovernmental or private body exercising any regulatory, anti-trust, foreign investment, expropriation or taxing authority under or for the account of any of the foregoing or (iv) any stock exchange, including but not limited to, Bundesinstitut für Arzneimittel und Medizinprodukte (Federal Institute for Drugs and Medical Devices) and the Colombian Ministry of Agriculture, Colombian Ministry of Agriculture, Health Canada.

"**Interim Order**" means the interim order of the Court made pursuant to Section 291(2) of the BCBCA in a form acceptable to the Company and the Purchaser, each acting reasonably, providing for, among other things, the calling and holding of the Company Meeting and the voting requirements with respect to the Arrangement Resolution, as such order may be amended by the Court with the consent of the Company and the Purchaser, each acting reasonably.

"**Initial Exchange Ratio**" means 0.3234598886 Purchaser Common Shares for each Company Common Share, provided that if the Company issues any Company Common Shares in accordance with Section 4.1(b)(v) of the Arrangement Agreement prior to the Effective Time, the Initial Exchange Ratio shall be the number of Purchaser Common Shares determined by dividing 43,525,951 by the number of issued and outstanding Company Common Shares immediately prior to the Effective Time, with the minimum Initial Exchange Ratio being 0.2910195359 Purchaser Common Shares.

"**Initial Price per Company Common Share**" means US$0.4044, provided that if the Company issues any Company Common Shares in accordance with Section 4.1(b)(v) of the Arrangement Agreement prior to the Effective Time, the Initial Price per Company Common Share shall be the price determined by multiplying the Initial Exchange Ratio by US$1.25.

"**Law**" means, with respect to any Person, any and all applicable law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, notice, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended unless expressly specified otherwise.

"**Letter of Transmittal**" means the letter of transmittal sent to Company Shareholders for use in connection with the Arrangement.

"**Lien**" means any mortgage, charge, pledge, hypothec, security interest, lien (statutory or otherwise), or adverse right or claim, or other third party interest or encumbrance of any kind.

"**Person**" includes any individual, partnership, limited liability company, incorporated or unincorporated association, joint venture, joint stock company, body corporate, trust, organization, estate, trustee, executor, administrator, legal representative, government (including a Governmental Entity), syndicate or other entity, whether or not having legal status.

"**Plan of Arrangement**" means this plan of arrangement and any amendments or variations made in accordance with the Arrangement Agreement or Section 5.1 or made at the direction of the Court in the Final Order with the prior written consent of the Company and the Purchaser, each acting reasonably.

"**Purchaser**" means Flora Growth Corp., a corporation existing under the laws of the Province of Ontario.

"**Purchaser Common Share**" means a common share in the capital of the Purchaser.

"**Purchaser VWAP**" means the daily volume-weighted average price of the Purchaser Common Shares on the Nasdaq Capital Market for such date or dates on the Nasdaq Capital Market as reported by Bloomberg L.P. during regular trading hours.

"**Release Date**" means the date that is ninety (90) calendar days following the Effective Date.

"**Restricted Legend**" means the legend or similar annotation to be carried (or, in the case of uncertificated Purchaser Common Shares, be deemed to be carried) by the certificates or any "direct registration system" statements or advice representing the Purchaser Common Shares issuable pursuant to the Arrangement providing for a restriction on trading such Purchaser Common Shares from the Effective Date until the Release Date, in accordance with the Transfer Restrictions and Exceptions.

"**Tax Act**" means the Income Tax Act (Canada).

"**Transfer Restrictions and Exceptions**" means, in relation to the Purchaser Common Shares issuable pursuant to the Arrangement, until the Release Date, such Purchaser Common Shares may not be transferred without the consent of the Purchaser, except that a former Company Shareholder (or a permitted transferee thereof), in relation to Purchaser Common Shares owned beneficially or of record by it, may: (i) mortgage or charge such Purchaser Common Shares as collateral for a loan; (b) exercise voting rights attaching to such Purchaser Common Shares: (c) receive dividends or other distributions on such Purchaser Common Shares; (d) transfer, sell or tender such Purchaser Common Shares pursuant to a take-over bid (as defined in the Securities Act (British Columbia) or any similar transaction, including without limitation a merger, arrangement or amalgamation, involving a change of control of the Purchaser; (e) transfer such Purchaser Common Shares to any nominee or custodian (including a trust) where there is no change in beneficial ownership (other than a change in beneficial ownership resulting from a transfer to a trust for the direct or indirect benefit of the immediate family members of the former Company Shareholder (or a permitted transferee thereof); (f) effect such sales as may be contemplated by Section 4.3 hereof; or (g) where the former Company Shareholder (or a permitted transferee thereof) is a corporate entity, a transfer to an affiliate or a shareholder of that former Company Shareholder (or permitted transferee thereof); provided that any permitted transferee will receive Purchaser Common Shares that contain the Restricted Legend.

1.2 Certain Rules of Interpretation

In this Plan of Arrangement, unless otherwise specified:

(a) Headings, etc. The division of this Plan of Arrangement into Articles and Sections and the insertion of headings are for convenient reference only and do not affect the construction or interpretation of this Plan of Arrangement.

(b) Currency. All references to dollars or to $ are references to Canadian dollars, unless specified otherwise.

(c) Gender and Number. Any reference to gender includes all genders. Words importing the singular number only include the plural and vice versa.

(d) Certain Phrases, etc. The words (i) "including", "includes" and "include" mean "including (or includes or include) without limitation," (ii) "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of," and

(iii) unless stated otherwise, "Article", "Section", and "Schedule" followed by a number or letter mean and refer to the specified Article or Section of or Schedule to this Plan of Arrangement.

(e) Statutes. Any reference to a statute refers to such statute and all rules, resolutions and regulations made under it, as it or they may have been or may from time to time be amended or re-enacted, unless stated otherwise.

(f) Computation of Time. A period of time is to be computed as beginning on the day following the event that began the period and ending at 5:00 p.m. on the last day of the period, if the last day of the period is a Business Day, or at 5:00 p.m. on the next Business Day if the last day of the period is not a Business Day. If the date on which any action is required or permitted to be taken under this Plan of Arrangement by a Person is not a Business Day, such action shall be required or permitted to be taken on the next succeeding day which is a Business Day.

(g) Time References. References to time herein or in any Letter of Transmittal are to local time, Vancouver, British Columbia. Time shall be of the essence in every matter or action contemplated hereunder.

ARTICLE 2 – THE ARRANGEMENT

2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant to, is subject to the provisions of, and forms part of, the Arrangement Agreement, except with respect of the sequence of the steps comprising the Arrangement, which shall occur as set out below in Section 2.3.

2.2 Binding Effect

This Plan of Arrangement and the Arrangement shall become effective, and be binding on the Purchaser, the Company, all holders and beneficial owners of Company Common Shares (including Dissenting Shareholders), Company Options, Company RSUs and Agent Compensation Options, the registrar and transfer agent of the Company, the Depositary and all other Persons, at and after the Effective Time without any further act or formality required on the part of any Person.

2.3 Arrangement

Commencing at the Effective Time, each of the events set out below shall occur and be deemed to occur in the following sequence in each case, except where stated otherwise, without any further authorization, act or formality of or by the Company, the Purchaser or any other Person:

(a) at the Effective Time:

(i) pursuant to the terms of the Company Stock Option Plan, the Board shall prior to the Effective Time: (i) approve the acceleration of the vesting of all outstanding Company Options, subject to receipt of requisite regulatory approval (if any), and upon such approval each Company Option shall be deemed to be vested and exercisable prior to the Effective Time; and (ii) approve, conditional upon completion of the Arrangement, the termination and cancellation of all Company Options that have not been exercised prior to the Effective Time without payment of any consideration to the holders of such terminated and cancelled Company Options;

(ii) the Company Stock Option Plan and all agreements relating to Company Options shall be terminated and of no further force or effect and neither the Company nor the Purchaser

shall have any liability or obligations with respect to the Company Option Plan or any agreements relating to Company Options;

(iii) in accordance with the terms of the Agent Compensation Options, each holder of an Agent Compensation Option outstanding immediately prior to the Effective Time shall receive upon the subsequent exercise of such holder's Agent Compensation Option, in accordance with its terms and for the same aggregate consideration therefor, and shall accept in lieu of each Company Common Share to which such holder was theretofore entitled upon such exercise, the Consideration; and

(iv) each Company RSU outstanding immediately prior to the Effective Time (whether vested or unvested) shall immediately vest and the Company shall allot and issue to each holder of a Company RSU such number of Company Common Shares (provided that no share certificates shall be issued with respect to such shares as are due to such holder) under the terms of the Company RSU Plan and thereafter the Company RSU Plan will terminate and none of the former holders of Company RSUs, the Company, the Purchaser or any of their respective successors or assigns shall have any rights, liabilities or obligations in respect of the Company RSU Plan.

(b) immediately after the steps in Section 2.3(a):

(i) each Company Common Share held by a Dissenting Shareholder who is ultimately determined to be entitled to be paid the fair value of his, her or its Company Common Shares in accordance with Article 3 (a "**Dissenting Share**") shall be and shall be deemed to have been transferred to the Purchaser (free and clear of all Liens) in consideration for a debt claim against the Purchaser in an amount equal to the fair value of such Dissenting Share determined and payable in accordance with Article 3; and

(ii) with respect to each Dissenting Share transferred to the Purchaser pursuant to Section 2.3(b)(i): (A) the registered holder of such Dissenting Share will cease to be the holder thereof or to have any rights as a holder thereof (other than the right to receive fair value of such Dissenting Share in accordance with Article 3) and the name of the registered holder thereof will be removed from the central securities register of the Company, (B) the holder of such Dissenting Share shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer and assign such Company Common Shares and (C) the Purchaser shall be and shall be deemed to be the transferee of such Dissenting Share (free and clear of all Liens) and will be entered in the central securities register of the Company as the sole holder thereof; and

(c) immediately after the steps in Section 2.3(b):

(i) each Company Common Share outstanding immediately prior to the Effective Time (including the Company Common Shares allotted and issued pursuant to Section 2.3(a)(iv) hereof but other than Dissenting Shares and Company Common Shares directly or indirectly owned by the Purchaser) shall be and shall be deemed to be transferred to the Purchaser (free and clear of all Liens) in exchange for the Consideration, provided (A) that the Purchaser Common Shares comprising the Consideration shall be subject to the Transfer Restrictions and Exceptions and (B) the certificates or any "direct registration system" statements or advice representing the Purchaser Common Shares comprising the Consideration shall bear (or, in the case of uncertificated Purchaser Common Shares, be deemed to bear) the Restricted Legend until the Release Date;

(ii) with respect to each Company Common Share transferred to the Purchaser pursuant to Section 2.3(c)(i), (A) the holder of such Company Common Share will cease to be the holder thereof or to have any rights as a holder thereof (other than the right to receive the consideration such holder is entitled to receive pursuant to Section 2.3(c)(i)) and the name of the holder thereof will be removed from the central securities register of the Company, (B) the holder of such Company Common Share shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer and assign such Company Common Shares and (C) the Purchaser shall be and shall be deemed to be the transferee of such Company Common Share (free and clear of all Liens) and will be entered in the central securities register of the Company as the sole holder thereof; and

(iii) each Company Shareholder (other than a Dissenting Shareholder) will be the holder of the aggregate number of Purchaser Common Shares issued to such Company Shareholder pursuant to Section 2.3(c)(i) and the securities registers of the Purchaser will be revised accordingly.

2.4 No Fractional Shares

In no event shall any holder of Company Common Shares be entitled to receive a fractional Purchaser Common Share under this Plan of Arrangement. Where the aggregate number of Purchaser Common Shares to be issued to a Company Shareholder as consideration under this Plan of Arrangement would result in a fraction of a Purchaser Common Share being issuable, the number of Purchaser Common Shares to be issued to such Company Shareholder shall be rounded down to the closest whole number and such fraction shall be disregarded and cancelled without any additional consideration payable to the Company Shareholder.

ARTICLE 3 – RIGHTS OF DISSENT

3.1 Rights of Dissent

(a) Registered holders of Company Common Shares may exercise rights of dissent ("**Dissent Rights**") in connection with the Arrangement under Section 238 of the BCBCA, and in the manner set forth in Sections 237 to 247 of the BCBCA, as modified by the Interim Order and this Section 3.1; provided that, notwithstanding Section 242(1)(a) of the BCBCA, the written objection to the Arrangement Resolution and exercise of Dissent Rights must be received by the Company not later than 5:00 p.m. on the Business Day which is two Business Days prior to the Company Meeting (as it may be adjourned or postponed from time to time). Dissenting Shareholders who duly exercise their Dissent Rights and who:

(i) are ultimately determined to be entitled to be paid fair value by the Purchaser for the Company Common Shares in respect of which they have exercised Dissent Rights shall be and shall be deemed to have irrevocably transferred such Company Common Shares to the Purchaser pursuant to Section 2.3(b) in consideration of the fair value of such Company Common Shares determined as of the close of business on the day before the Arrangement Resolution was adopted; or

(ii) are not ultimately determined, for any reason, to be entitled to be paid fair value by the Purchaser for the Company Common Shares in respect of which they have exercised Dissent Rights shall be and shall be deemed to have participated in the Arrangement on the same basis as a Company Shareholder who has not exercised Dissent Rights and shall be entitled to receive only the consideration that such Company Shareholder would have been entitled to receive pursuant to Section 2.3(c) if such Company Shareholder had not exercised Dissent Rights,

and in no case will the Company, the Purchaser or any other Person be required to recognize such Dissenting Shareholders as holders of Company Common Shares after the completion of the steps set forth in Section 2.3(b) or 2.3(c), as the case may be, and each Dissenting Shareholder will cease to be entitled to the rights of a shareholder in respect of the Company Common Shares in relation to which such Dissenting Shareholder has exercised Dissent Rights and the central securities register of the Company will be amended to reflect that such former holder is no longer the holder of such Company Common Shares as and from the Effective Time.

(b) For greater certainty, only registered holders of Company Common Shares shall be entitled to exercise Dissent Rights and, in addition to any other restrictions under Section 238 of the BCBCA, neither (i) holders of Company Options, Company RSUs or Agent Compensation Options, or (ii) the Company Shareholders who vote or have instructed a proxyholder to vote such holder's Company Common Shares in favour of the Arrangement Resolution, shall be entitled to exercise Dissent Rights.

ARTICLE 4 – CERTIFICATES AND PAYMENTS

4.1 Deposit Rules and Procedures

(a) At or before the Effective Time, the Purchaser shall deposit or cause to deposited with the Depositary one or more certificates or book-entry advice statements representing the aggregate number of Purchaser Common Shares that such Company Shareholders are entitled to receive under Section 2.3(c).

(b) As soon as practicable following the later of the Effective Time and the surrender by a Company Shareholder to the Depositary of a certificate or book-entry advice statement which immediately prior to the Effective Time represented outstanding Company Common Shares that were transferred to the Purchaser pursuant to Section 2.3(c), together with a duly completed and executed Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require, the former holder of such Company Common Shares will be entitled to receive in exchange therefor a certificate or book-entry advice statement representing the number of Purchaser Common Shares such holder is entitled to receive under Section 2.3(c), less any amounts withheld pursuant to Section 4.3, and any certificate so surrendered shall forthwith be cancelled.

(c) Subject to Section 4.4, until surrendered as contemplated by this Section 4.1, each certificate or book-entry advice statement which immediately prior to the Effective Time represented Company Common Shares that were transferred under Section 2.3(c) shall be deemed after the Effective Time to represent only the right to receive a certificate representing the number of Purchaser Common Shares the former holder of such Company Common Shares is entitled to receive pursuant to Section 2.3(c) less any amounts withheld pursuant to Section 4.3.

(d) No holder of Company Common Shares, Company Options, Company RSUs or Agent Compensation Options shall be entitled to receive any consideration with respect to such Company Common Shares, Company Options, Company RSUs or Agent Compensation Options other than consideration such holder is entitled to receive, if any, in accordance with Section 2.3 and this Section 4.1 and, for greater certainty, no such former holder will be entitled to receive any interest, dividends, premium or other payment in connection therewith.

4.2 Lost Certificates

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Company Common Shares that were transferred to the Purchaser pursuant to Section 2.3(c) has been

lost, stolen or destroyed, upon the making of an affidavit of that fact by the former holder of such Company Common Shares, the Depositary shall, in exchange for such lost, stolen or destroyed certificate, deliver to such former holder of Company Common Shares the Consideration such Company Shareholder is entitled to receive in respect of such Company Common Shares pursuant to Section 2.3(c), less any amounts withheld pursuant to Section 4.3. When authorizing such payment in relation to any such lost, stolen or destroyed certificate, the former holder of such Company Common Shares shall, as a condition precedent to the delivery thereof, give a bond satisfactory to the Purchaser and the Depositary (acting reasonably) in such sum as the Purchaser may direct, or otherwise indemnify the Purchaser, the Company and the Depositary in a manner satisfactory to Purchaser, the Company and the Depositary (acting reasonably) against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

4.3 Withholding Rights

The Purchaser, the Company or the Depositary shall deduct and withhold from any consideration otherwise payable to any Person under this Plan of Arrangement (including, without limitation, any amounts payable to Dissenting Shareholders pursuant to Section 3.1, any Company Common Shares issued pursuant to the Company Stock Option Plan, and any Company Common Shares issued pursuant to a Company RSU under Section 2.3(a)(a)(iv)) such Taxes or other amounts as the Purchaser, the Company or the Depositary is required to deduct and withhold with respect to such payment under the Tax Act or any provision of any other applicable Law. The Purchaser, the Company or the Depositary shall sell forthwith Purchaser Common Shares otherwise payable to such Company Shareholder on behalf of, and as agent for, the Company Shareholder to fund the required withholding. To the extent that Taxes or other amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Person in respect of which such withholding was made, provided that such amounts are actually remitted to the appropriate taxing authority. None of the Purchaser, the Company, the Depositary or any broker used by the foregoing will be liable for any loss arising out from any sale of Purchaser Common Shares, including any loss relating to the manner or timing or such sales, the prices at which the Purchaser Common Shares are sold or otherwise.

4.4 Extinction of Rights

Any certificate or book-entry advice statement which immediately prior to the Effective Time represented one or more outstanding Company Common Shares that were acquired by the Purchaser pursuant to Section 2.3(c) and which is not deposited with the Depositary in accordance with the provisions of Section 4.1 on or before the sixth anniversary of the Effective Date shall, on the sixth anniversary of the Effective Date, cease to represent a claim or interest of any kind or nature whatsoever, whether as a securityholder or otherwise and whether against the Company, the Purchaser, the Depositary or any other Person. On such date, the Consideration such former holder of Company Common Shares would otherwise have been entitled to receive shall be and shall be deemed to have been surrendered for no consideration to the Purchaser. None of the Company, the Purchaser nor the Depositary will be liable to any Person in respect of any cash or securities (including any cash or securities previously held by the Depositary in trust for any such former holder) which is forfeited to the Purchaser or delivered to any public official pursuant to any applicable abandoned property, escheat or similar law.

ARTICLE 5 – AMENDMENTS

5.1 Amendments to Plan of Arrangement

(a) The Company and the Purchaser may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be (i) set out in writing, (ii) approved by the Company and the Purchaser (each acting reasonably), (iii) filed with the Court and, if made following the Company Meeting, approved by the Court and (iv) communicated to or approved by the Company Shareholders if and as required by the Court.

(b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Company at any time prior to the Company Meeting (provided that the Purchaser shall have consented thereto) with or without any other prior notice or communication and, if so proposed and accepted by the Persons voting at the Company Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

(c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Company Meeting shall be effective only if such amendment, modification or supplement is consented to (i) in writing by each of the Company and the Purchaser (each acting reasonably), and (ii) if required by the Court, by some or all of the Company Shareholders voting in the manner directed by the Court.

(d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by the Purchaser, provided that it concerns a matter which, in the reasonable opinion of the Purchaser, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of any former holder of Company Common Shares.

(e) This Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the terms of the Arrangement Agreement.

ARTICLE 6 – FURTHER ASSURANCES

6.1 Further Assurances

Notwithstanding that the transactions and events set out in this Plan of Arrangement shall occur and shall be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the Company and the Purchaser shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by either of them in order to further document or evidence any of the transactions or events set out in this Plan of Arrangement.

APPENDIX "E" – FAIRNESS OPINION

(Please see attached)

CAPITAL MARKETS

HAYWOOD

October 21, 2022

FRANCHISE GLOBAL HEALTH INC.
550 Burrard Street
Suite 2300
Vancouver, BC V6C 2B5

To the Board of Directors:

Haywood Securities Inc. ("**Haywood"**) understands that Franchise Global Health Inc. ("**FGH**") has entered into an arrangement agreement dated October 21, 2022 (the "**Agreement**") with Flora Growth Corp. ("**Flora**"), to effect the arm's length acquisition of FGH by Flora through a plan of arrangement (the "**Arrangement**") under the *Business Corporations Act* (British Columbia).

As consideration for the acquisition of 100% of the issued and outstanding FGH common shares, at the completion of the Arrangement, Flora will issue between 36,515,060 and 43,525,951 of its common shares in exchange for the issued and outstanding shares of FGH, as calculated in accordance with the Agreement, which is based on a minimum exchange ratio of approximately 0.2441 Flora shares for each FGH share and a maximum exchange ratio of approximately 0.3235 Flora shares for each FGH share (the "**Exchange Ratio**"), depending on the number of FGH shares outstanding and the closing price of the Flora shares on the closing date of the Arrangement and Flora's 20-day volume-weighted average price as of market close on the third business day prior to the closing date of the Arrangement, in each case as determined in accordance with the Arrangement (the "**Consideration**").

The above description is summary in nature. The specific terms and conditions of, and other matters relating to the Agreement and the Arrangement will be more fully described in a management information circular of FGH (the "**FGH Circular**"), which will be mailed to holders of FGH common shares (the "**FGH Shareholders**") in connection with the Arrangement.

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Completion of the Arrangement is subject to certain closing conditions customary for transactions of this nature including, among other things, approval of the Arrangement by the Supreme Court of British Columbia and the approval of at least 66 2/3% of the votes cast by the FGH Shareholders (as well as a "majority of the minority" approval by FGH shareholders pursuant to Multilateral Instrument 61-101 ("**MI 61-101**"), at a meeting of FGH Shareholders to be called for the purpose of considering the Arrangement (the "**FGH Meeting**").

The above description is summary in nature. The specific terms of, and conditions necessary to complete, the Arrangement are set forth in the Agreement and will be described in the FGH Circular to be mailed to the FGH Shareholders in connection with the FGH Meeting.

Haywood understands that Clifford Starke, the Chairman and Chief Executive Officer of FGH, along with certain of his affiliated entities, have entered into a voting, support and indemnity agreement, pursuant to which, in addition to agreeing to vote their FGH common shares in favor of the Arrangement, they have agreed to indemnify Flora for certain potential liabilities of FGH and its subsidiaries for up to US$5.0 million. All of the other directors and officers of FGH have entered into voting support agreements (the "**FGH Support and Voting Agreements**") pursuant to which they have committed, among other things, to support the Arrangement and vote in favour of it at the FGH Meeting.

The Board of Directors of FGH (the "**Board**") has retained Haywood to prepare and render an opinion (this "**Fairness Opinion**") to the Board as to the fairness of the Consideration, from a financial point of view, to FGH Shareholders. Haywood has not prepared a "formal valuation" (within the meaning of MI 61-101") of FGH or Flora or any of their subsidiaries and assets, and this Fairness Opinion should not be construed as such.

Engagement

Pursuant to a letter agreement dated October 13, 2022 (the "**Engagement Agreement**"), the Board engaged Haywood to prepare and render an opinion as to the fairness of the Consideration, from a financial point of view, to FGH Shareholders.

Following its review of the terms of the Arrangement, Haywood rendered its verbal opinion to the Board as to the fairness of the Consideration, from a financial point of view, to FGH Shareholders, subject to completion of satisfactory due diligence. This Fairness Opinion confirms the verbal opinion rendered by Haywood to the Board on October 17, 2022, and re-confirmed via email on and as of October 21, 2022. The data used for Haywood's analyses in the verbal opinion and in this Fairness Opinion is as of October 21, 2022.

The terms of the Engagement Agreement provide that Haywood is to be paid a fixed fee for the delivery of the Fairness Opinion, no portion of which is conditional upon this Fairness Opinion being favourable. The Board acknowledges that Haywood has also provided advisory services as financial advisor to FGH in connection with the Arrangement (the "**Advisory Services**") prior to, but in accordance with, an engagement letter dated October 21, 2022, which engagement entitles Haywood to a fee payable upon completion of the Arrangement or any alternative transaction. FGH has also agreed, in connection with the Engagement Agreement and Advisory Services, to reimburse Haywood for its reasonable out-of-pocket expenses, whether or not the Arrangement is completed, and to indemnify Haywood, its affiliates, and their respective directors, officers, employees, agents and controlling persons, against certain losses, claims, damages and liabilities which may arise directly or indirectly from services performed by Haywood in

connection with its engagement. The fees paid or payable to Haywood in connection with the Engagement Agreement and the Advisory Services are not material to Haywood.

Independence of Haywood

Neither Haywood, nor any of its affiliates, is an insider, associate or affiliate of any of Flora or FGH or any of their respective associates or affiliates (collectively, the "**Interested Parties**"). Other than in respect of the Advisory Services, in the past 24-month period, Haywood has not been engaged by any of the Interested Parties to provide financial advisory services nor has it participated in any financings with any of the Interested Parties.

Haywood acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, has and may in the future have positions in the securities of FGH, Flora or any of their respective associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it received or may receive compensation. As of the date of this Fairness Opinion, Haywood's clients and members of its Pro Group (as that term is defined in the policies of the TSX Venture Exchange) hold an aggregate of 10,112,815 shares of FGH and 25,016 options to acquire FGH shares at an exercise price of $1 per share, as well as an aggregate of 22,392 shares of Flora. Other than in respect of the Advisory Services, there are no understandings, agreements or commitments between Haywood and FGH, Flora or any other Interested Party, with respect to any future business dealings.

In the ordinary course of trading and brokerage activities, Haywood, the associates and affiliates thereof and the officers, directors and employees of any of them at any time may hold long or short positions, may trade or otherwise effect transactions, for their own account, for managed accounts or for the accounts of customers, in debt or equity securities of FGH, Flora or related assets or derivative securities. As an investment dealer, Haywood conducts research on companies and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to FGH, Flora or with respect to the Arrangement.

Credentials of Haywood

Haywood is one of Canada's leading independent investment dealers with operations in corporate finance, equity sales and trading and investment research. Haywood is a participating organization of the Toronto Stock Exchange and the TSX Venture Exchange and a member of the Investment Industry Regulatory Organization of Canada ("**IIROC**") and the Canadian Investor Protection Fund. The opinion expressed herein is the opinion of Haywood, and the individuals primarily responsible for preparing this Fairness Opinion are professionals of Haywood experienced in merger, acquisition, divestiture and fairness opinion matters and have an understanding of the marketable securities involved in the Arrangement. Fairness opinions prepared by Haywood, including this Fairness Opinion, are subject to internal oversight and review before they are issued.

Scope of Review and Approach to Analysis

In connection with rendering this Fairness Opinion, Haywood has reviewed and relied upon, or carried out, among other things, the following:

(a) the Agreement;

(b) the form of FGH Support and Voting Agreement;

(c) the disclosure letter dated October 21, 2022 delivered by FGH to Flora in connection with entering into the Agreement;

(d) corporate documents for Flora as well as documents contained in its data room made available to us;

(e) corporate documents for FGH as well as documents contained in its data room made available to us;

(f) audited financial statements of Flora for the years ended December 31, 2021 and 2020 and unaudited financial statements of Flora for the six month period ended June 30, 2022;

(g) the audited financial statements for FGH for the years ended December 31, 2021 and 2020, and unaudited financial statements for FGH for the six month period ended June 30, 2022;

(h) financial forecasts for Flora provided by FGH, and subsequent discussions with management of FGH regarding these projections;

(i) public information relating to the business, financial condition and trading history of FGH and other select public companies Haywood considered relevant;

(j) certain historical financial information and operating data concerning Flora;

(k) certain projected financial information for FGH, including without limitation, budgets, financial forecasts and internal operational models, which were prepared and provided by FGH;

(l) the financial results of Flora, comparing them with publicly available financial data concerning certain publicly traded companies that Haywood deemed to be relevant for the purposes of its analysis (sources: Capital IQ);

(m) where applicable, comparing the consideration to be paid by Flora to the value per common share of Flora implied by analyses of market multiples of comparable companies;

(n) certain industry and analyst reports and statistics that Haywood deemed relevant for the purposes of its analysis;

(o) certain other internal information prepared by FGH with respect to Flora and provided to Haywood;

(p) meetings with FGH's management to understand relevant aspects of the business and the outlook for the near and mid-future that will impact Flora;

(q) a certificate addressed to Haywood, dated October 21, 2022, from two senior officers of FGH as to the completeness and accuracy of the Information (as defined below);

(r) publicly available financial documents on relevant comparable companies in the sector (source: company filings);

(s) such other financial, market, technical and industry information, conducting such other investigations, analyses and discussions (including discussions with senior management of FGH) as Haywood considered relevant and appropriate in the circumstances.

In its assessment, Haywood considered several techniques which involved a number of quantitative and qualitative factors, using a blended approach to determine its opinion on the Arrangement.

Haywood has not, to the best of its knowledge, been denied access by Flora or FGH to any information under its control requested by Haywood. Haywood did not meet with the auditors of FGH or Flora and has assumed the accuracy and fair presentation of and relied upon the audited financial statements of FGH and Flora and the reports of the auditors thereon.

Assumptions and Limitations

With the approval and agreement of the Board and as provided for in the Engagement Agreement, and subject to the exercise of its professional judgement, Haywood has relied upon and assumed the completeness, accuracy and fair presentation of all financial information, business plans, financial analyses, forecasts and other information, data, advice, opinions and representations (collectively referred to as the "**Information**") obtained by Haywood from public sources, or provided to Haywood by Flora and FGH, their respective subsidiaries, directors, officers, associates, affiliates, consultants, advisors and representatives relating to Flora, FGH, their respective subsidiaries, associates and affiliates, and to the Arrangement. This Fairness Opinion is conditional upon such completeness, accuracy and fair presentation of the Information. Haywood has not been requested to or, subject to the exercise of professional judgment, attempted to verify independently the completeness, accuracy or fair presentation of any of the Information and assumes no responsibility or liability in connection therewith. Haywood has not conducted or been provided with any "formal valuation" (within the meaning of MI 61-101) or appraisal of any assets or liabilities, nor has it evaluated the solvency of Flora or FGH under any provincial or federal laws relating to bankruptcy, insolvency or similar matters. Haywood has not had the benefit of reviewing any third party economic assessment on the assets of Flora or FGH, and expresses no opinion as to the results of any future economic assessment that may be released prior to or following completion of the Arrangement or the market reaction to the results of such economic assessment. The technical due diligence conducted by Haywood was limited in scope and Haywood has relied heavily on the experience and representations of management of FGH and Flora.

FGH has represented to Haywood in a certificate of two senior officers dated October 21, 2022, among other things, that the Information provided to Haywood, including the written information and discussions concerning FGH and Flora, as applicable, referred to above under the heading "Scope of Review and Approach to Analysis", is complete and correct in all material respects at the date the Information was provided to Haywood and that, since the date on which the Information was provided to Haywood, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of FGH or any of its affiliates and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on this Fairness Opinion. Haywood has relied on the representations and warranties of Flora as set out in the Agreement and assumes that such representations and warranties are complete and correct at the date of this Fairness Opinion and that there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or

prospects of Flora or its affiliates which would have or which would reasonably be expected to have a material effect on this Fairness Opinion.

With respect to any financial analyses, forecasts, projections, estimates and/or budgets provided to Haywood and used in its analysis, Haywood notes that projecting future results of any company is inherently subject to uncertainty. Haywood has assumed, however, that such financial analyses, forecasts, projections, estimates and/or budgets were prepared using the assumptions identified therein and that such assumptions reflect reasonable estimates and judgments by management as to the expected future results of operations and financial condition of each of Flora and FGH. Haywood expresses no view as to such financial analyses, forecasts, projections, estimates and/or budgets or the assumptions on which they were based.

In preparing this Fairness Opinion, Haywood has made several assumptions, including that all of the representations and warranties contained in the Agreement are correct as of the date hereof, all of the conditions required to complete the Arrangement will be met, the Arrangement will be completed substantially in accordance with its terms and all applicable laws, and that the disclosure provided in the Circular with respect to Flora, FGH, and their respective subsidiaries and affiliates and the Arrangement will be accurate in all material respects.

Haywood has relied, as to all legal matters relevant to rendering this Fairness Opinion, upon the advice of its own counsel. Haywood has further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Arrangement will be obtained without any adverse effect on Flora or FGH or on the contemplated benefits of the Arrangement.

Haywood is not a legal, tax or accounting expert and expresses no opinion concerning any legal, tax or accounting matters concerning the Arrangement or the sufficiency of this letter for your purposes.

This Fairness Opinion is rendered as at the date hereof and on the basis of securities markets, economic and general business and financial conditions prevailing, and the Information as at October 21, 2022 and the conditions and prospects, financial and otherwise, of Flora or FGH as they are reflected in the Information provided by Flora and FGH, and as was represented to Haywood in its discussions with the management of FGH, and certain of their respective consultants, advisors and representatives. It should be understood that subsequent developments may affect this Fairness Opinion and that Haywood does not have any obligation to update, revise or reaffirm this Fairness Opinion. Haywood is expressing no opinion herein as to the price at which the current shares of FGH will trade at any future time. In Haywood's analysis and in connection with the preparation of this Fairness Opinion, Haywood made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of Haywood and any party involved in the Arrangement.

This Fairness Opinion is provided for the use of the Board only and may not be disclosed, referred or communicated to, or relied upon by, any third party without Haywood's prior written approval. Haywood consents to the inclusion of this Fairness Opinion in the Circular. Haywood disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting this Fairness Opinion that may come or be brought to the attention of Haywood after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting this Fairness Opinion after the date hereof, Haywood reserves the right to change, modify or withdraw this Fairness Opinion.

Haywood believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a

misleading view of the process underlying this Fairness Opinion. The preparation of an opinion is a complex process and is not necessarily amenable to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

This Fairness Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of IIROC, but IIROC has not been involved in the preparation or review of this Fairness Opinion.

Fairness Conclusion

Based on and subject to the foregoing and such other factors as Haywood considered relevant, Haywood is of the opinion that, as of the date hereof, the Consideration is fair, from a financial point of view, to the FGH Shareholders.

Yours truly,

HAYWOOD SECURITIES INC.

"Haywood Securities Inc."

APPENDIX "F"
INFORMATION CONCERNING FLORA GROWTH

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INTRODUCTION

This Appendix "F" is a summary of Flora Growth, its business, assets and operations, which should be read together with the audited financial statements for Flora Growth for the years ended December 31, 2021, December 31, 2020 and December 31, 2019, and the condensed consolidated interim financial statements of Flora for the six months ended June 30, 2022 and 2021, copies of which are attached as Appendix "J" to the Circular. The information contained in this Appendix "F" – "*Information Concerning Flora Growth*", unless otherwise indicated is given as at the Record Date. Notwithstanding anything stated to the contrary in the body of the Circular to which this Appendix "F" is attached, references to "**Flora**" in this Appendix "F" refer to Flora Growth Corp. and its Subsidiaries, except where stated or the context otherwise indicates.

MARKET AND INDUSTRY DATA

Market and industry data presented throughout this Appendix "F" was obtained from third-party sources and industry reports, publications, websites and other publicly available information, including industry and other data prepared by Flora Growth or on Flora Growth's behalf on the basis of Flora Growth's knowledge of the markets in which it operates.

Flora Growth believes that the market and economic data presented throughout this Appendix "F" is accurate and, with respect to data prepared by Flora Growth or on Flora Growth's behalf, that Flora Growth's estimates and assumptions are currently appropriate and reasonable, but there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market and economic data presented throughout this Appendix "F" are not guaranteed and neither of Flora Growth nor FGH makes any representation as to the accuracy of such data. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. Although Flora Growth believes it to be reliable, neither of Flora Growth nor FGH has independently verified any of the data from third-party sources referred to in this Appendix "F", analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underling market, economic and other assumptions relied upon by such sources. Market and economic data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. In addition, certain of these publications, studies and reports were published before the global Covid-19 pandemic and therefore not reflect any impact of the Covid-19 pandemic on any specific market or globally.

GLOSSARY

Certain terms used in this Appendix "F" shall have the meaning ascribed in the following "*Glossary of Terms*". All other capitalized terms used herein and not defined below shall have the meanings ascribed thereto in the section "*Glossary of Terms*" in the Circular to which this Appendix "F" is attached.

Glossary of Terms

"**2021 Financial Statements**" means Flora Growth's audited consolidated financial statements for the year ended December 31, 2021 and the accompanying notes thereto;

"**2022 Interim Financial Statements**" means the unaudited interim consolidated financial statements for the six months ended June 30, 2022 and the accompanying notes therein filed on a Form 6-K with the SEC;

"**AETHOS**" means AETHOS Consulting Group;

"**Annual Report**" means Flora Growth's Annual Report on Form 20-F for the year ended December 31, 2021 filed on May 9, 2022 with the SEC;

"**April 21 Form F-1**" means Flora Growth's Form F-1 filed with the SEC on April 21, 2021;

"**Avaria**" means Avaria Health & Beauty Corp.;

"**B2B**" means business-to-business;

"**Boustead**" means Boustead Securities, LLC;

"**Breeze**" means Breeze Laboratory SAS, also referred to as Flora Lab #4;

"**CAGR**" means compounded annual growth rate;

"**CBD**" means cannabidiol;

"**Central Bank**" means the Central Bank of Colombia;

"**CHF**" means Swiss Franc;

"**Code**" means the Internal Revenue Code of 1986, as amended;

"**COP**" means Colombia pesos;

"**Corporate Governance Guidelines**" means National Policy 58-201 – *Corporate Governance Guidelines*;

"**Cosechemos**" means Cosechemos YA SAS;

"**Cronomed**" means Grupo Farmaceutico Cronomed SAS;

"**D2C**" means direct-to-consumer;

"**Davidson**" means Davidson & Company LLP;

"**DOJ**" means the U.S. Department of Justice;

"**Drug Policy Commission**" means the Advisory Commission on Drug Policy;

"**E&J**" means E&J Consulting LLC;

"**EBITDA**" means earnings before interest, taxes, depreciation and amortization;

"**Emerging Growth Company**" has the meaning ascribed thereto in Section 2(a) of the U.S. Securities Act, as modified by the JOBS Act;

"**EWG**" means Environmental Working Group;

"**Falabella**" means S.A.C. I. Falabella;

"**FDA**" means the U.S. Food and Drug Administration;

"**Flora Beauty**" means Flora Beauty LLC, doing business as Mind Naturals;

"**Flora Incentive Compensation Plan**" means Flora Growth's incentive compensation plan approved by the Flora Shareholders on July 5, 2022, pursuant to which it may issue Awards to eligible officers, directors, employees and consultants;

"**Flora Labs**" means, Flora Lab #1, Flora Lab #2, Flora Lab #3 and Flora Lab #4 collectively;

"**Flora Lab #2**" means Quipropharma Lab and Cronomed collectively;

"**Flora Management**" means Flora Growth Management Corp.;

"**Flora Options**" means unlisted options to buy Flora Shares, with each such option exercisable for the purchase of one Flora Share;

"**FloVaria**" means FloVaria Corp.;

"**GMP**" means Good Manufacturing Practices;

"**Hemp Textiles**" means Hemp Textiles & Co LLC;

"**HIPAA**" means the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act and their implementing regulations;

"**Hoshi**" means Hoshi International Inc.;

"**HRPL**" means High Roller Private Label LLC;

"**IASB**" means the International Accounting Standards Board;

"**ICA**" means the Colombian Agricultural Institute;

"**ICFR**" means internal controls over financial reporting;

"**IFRIC**" means International Financial Reporting Interpretations Committee;

"**INVIMA**" means the Instituto Nacional de Vigilancia de Medicamentos y Alimntos;

"**IPO**" means initial public offering;

"**IRS**" means the internal revenue service;

"**JBL**" means Just Brands LLC;

"**JOBS Act**" means the *Jumpstart Our Business Startups Act of 2012*;

"**JPMC**" means "JPMorgan Chase";

"**Kasa**" means Kasa Wholefoods Company SAS Colombia, doing business as Mambe;

"**Large Accelerated Filer**" has the meaning ascribed thereto in the U.S. Exchange Act;

"**LATAM**" means Latin American;

"**Manasr**" means Pharma Indigena Misak Manasr Sas;

"**MD&A**" means Management's Discussion and Analysis of Financial Condition and Results of Operations;

"**Ministry of Health**" means the Ministry of Health and Social Protection (Colombia);

"**Ministry of Justice**" means the Ministry of Justice and Law (Colombia);

"**No Cap**" means No Cap Hemp Co.;

"**November Flora Warrants**" means the unlisted warrants of Flora Growth to buy Flora Shares, with each such warrant exercisable for the purchase of one Flora Share at an exercise price of $3.75 expiring on November 18, 2026;

"**November Underwriter Warrants**" means the unlisted warrants of Flora Growth to buy Flora Shares, with each such warrant exercisable for the purchase of one Flora Share at an exercise price of $3.30 expiring on November 18, 2027;

"**November Units**" means the units consisting of one Flora Share and one-half of one November Flora Warrant;

"**PCAOB**" means Public Company Accounting Oversight Board (US);

"**Penal Code**" means the Colombian Penal Code;

"**PFIC**" means the passive foreign investment company;

"**Prior Flora Option Plan**" means Flora Growth's stock option plan approved by the Flora Shareholders on March 14, 2019;

"**Q Gold**" means Q Gold Resources Ltd.;

"**Quipropharma**" means Laboratorios Quipropharma SAS;

"**R&D**" means research and development;

"**REIT**" means real estate investment trust;

"**Sanaty**" means Sanaty IPS S.A.S.;

"**Sarbanes-Oxley Act**" means the *Sarbanes-Oxley Act of 2002*;
"**SINAP**" means the National System of Protected Areas;

"**SKU**" means stock keeping unit;

"**Stardog**" means Stardog Loungewear;

"**THC**" means tetrahydrocannabinol;

"**TL**" means Tonino Lamborghini S.P.A.;

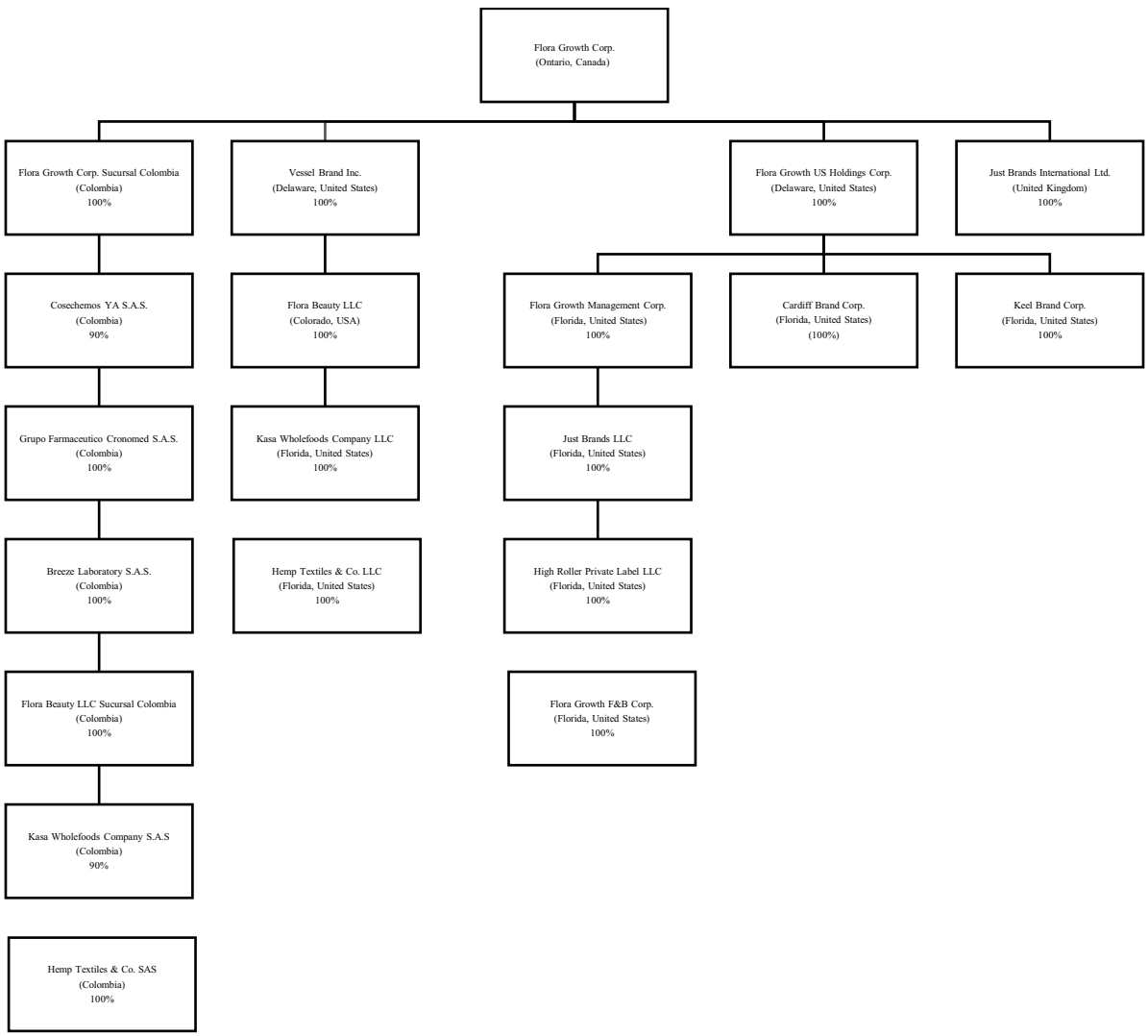
"**USDA**" means the U.S. Department of Agriculture; and

"**VBI**" means Vessel Brand, Inc.

CORPORATE STRUCTURE

Flora Growth Corp. ("**Flora**," "**Flora Growth**," "**we**," "**us**," "**our**") was incorporated on March 13, 2019, under the laws of the OBCA. The articles of Flora Growth were amended on April 30, 2021 in order to consolidate the Flora Shares on the basis of one new Flora Share for every three issued and outstanding Flora Shares. We are an early-stage company with our registered office and mailing address located at 365 Bay Street, Suite 800, Toronto, Ontario, M5H 2V1. Our principal place of business in the United States is located at 3406 SW 26th Terrace, Suite C-1, Fort Lauderdale, Florida 33312, and our phone number is (954) 842-4989. Our agricultural and processing operations are in Bucaramanga and Bogotá Colombia. Our Colombian-based offices are located at Carrera 22 # 164-42, Toberín, Bogotá DC, Colombia and Anillo vial Floridablanca – Giron km 2.176, Centro empresarial Ecoparque Natura, Torre 1 Oficina 317, Floridablanca, Santander, Colombia. The Flora Shares were listed to trade on the Nasdaq on May 11, 2021. Flora Growth's trading symbol is "FLGC" and the Flora Shares commenced trading on May 11, 2021. The closing price of the Flora Shares on the Nasdaq on November 11, 2022 was US$0.57.

Our website address is www.floragrowth.com. The information contained on, or that can be accessed through, our website does not constitute a part of the Circular, this Appendix and is not incorporated by reference herein.



GENERAL DEVELOPMENT OF FLORA GROWTH'S BUSINESS

History and Development

Flora Growth's mission is to build a design-led collective of plant-based wellness and lifestyle brands that delivers the most compelling customer experiences in the world, one community at a time.

We are an all-outdoor cultivator and manufacturer of global cannabis products and brands, building a connected, design-led collective of plant-based wellness and lifestyle brands. As the operator of an extensive outdoor cannabis cultivation facility, Flora Growth leverages natural, cost-effective cultivation practices to supply cannabis derivatives to its diverse business units. The foundation of our business strategy is built on three core pillars: Commercial/Wholesale, House of Brands and Life Sciences. Below is a brief summary of these three key pillars:

Commercial & Wholesale

The Commercial and Wholesale pillar encompasses our cultivation, extraction, manufacturing and distribution of cannabis, its derivatives, plant-based extracts, and white-label or custom formulations with the intent to supply both domestic and international markets for both internal and third-party applications. This business is supported by existing cultivation on a portion of our 249 acres of licensed land and onsite laboratory facilities in Bucaramanga, Colombia, together with two manufacturing and processing laboratories in Bogotá, Colombia and one in Fort Lauderdale, Florida.

House of Brands

Flora Growth's "House of Brands" consists of a connected ecosystem of wellness and lifestyle consumer packaged goods that are designed to deliver unique experiences to its customers. These brands consist of a mix of products across multiple categories including food and beverage, nutraceuticals, cannabis accessories and technology, personal care and pet wellness, that allow us to gain meaningful access to global markets. This brand strategy allows Flora Growth to collect customer data through first-party relationships via each brand, creating an opportunity for customer acquisition, cross-promotion, consumer insights, and a database of opted-in consumers for new brand and product development opportunities.

Our House of Brands includes:

- **JustCBD** / Wellness, CBD;
- **Vessel** / Consumer Accessories & Technology;
- **Mind Naturals** / Personal Care (Skincare);
- **Mambe** / Food & Beverage;
- **Stardog** / Lifestyle;
- **No Cap** / Lifestyle, Rare Cannabinoids
- **Tonino Lamborghini** / Beverages; and
- **Kalaya** / Medical-OTC.

Life Sciences

Flora Growth's Life Sciences pillar is focused on providing scientific-based research connected to molecules found in the cannabis plant. Through the Life Sciences pillar, Flora Growth works to educate the industry as well as to initiate research studies, clinical trials, and the development of plant-based, medical-grade pharmaceuticals, phytotherapeutics

and dietary supplements for use in target and broad-based use cases leveraging multiple modalities. We are currently working on a study in conjunction with the University of Manchester in the United Kingdom to assess the benefits of a proprietary CBD formulation on patients suffering from musculoskeletal pain. Additionally, Flora Growth has gained approval from INVIMA, Colombia's equivalent to the FDA, for a patent-pending cannabinoid formulation for use as prescription medicine.

Acquisitions and Investments

On February 24, 2022, our wholly-owned subsidiary Flora Growth U.S. Holdings Corp. completed the acquisition of 100% of the outstanding equity interests in each of: (i) JBL; and (ii) HRPL. JBL is based in Fort Lauderdale, Florida and is a leading distributor and retailer of CBD derived products through its widely recognized "JustCBD" brand, with HRPL manufacturing several of the leading products sold by JBL. As consideration for the acquisition, we delivered US$16.0 million in cash and 9,500,000 of our privately issued Flora Shares. Please see "*General Development of Flora Growth's Business – History and Development*" of this Appendix "F" for more information on our JustCBD Brand and "*General Development of Flora Growth's Business – Material Contracts*" of this Appendix "F" for more information on the terms of this acquisition.

On November 12, 2021, pursuant to a certain merger agreement between Flora Growth, our wholly-owned subsidiary and certain related third parties (the "**VBI Merger Agreement**"), we acquired 100% of the capital stock of VBI for consideration consisting of US$8.0 million in cash and 4,557,318 privately issued Flora Shares. Operating under "Vessel" as its flagship brand, VBI is a developer and retailer of high-end cannabis consumer technology and accessories. Headquartered in Carlsbad, California, VBI distributes its products throughout the United States, Canada and internationally.

On August 24, 2021, we closed our previously announced €2 million investment in Hoshi while also increasing our fully-diluted investment in Hoshi through a securities swap with Hoshi. Hoshi is a privately owned, European focused, fully integrated medical cannabis company led by a well-known team of cannabis entrepreneurs. Hoshi is focused on developing and operationalizing assets across the global cannabis industry with an emphasis on cultivating, manufacturing, and distributing cannabis products throughout the European Union. In connection with the securities swap, we received 2,000,000 warrants to acquire up to 2,000,000 common shares of Hoshi in exchange for 225,000 privately issued Flora Shares.

On January 12, 2021, Flora Growth acquired certain assets from Quipropharma, in exchange for US$350,000. The assets included a Colombian-based laboratory that holds GMP certifications and can produce CBD-containing products. Flora Growth also purchased certain real estate assets for total consideration of US$1,143,000.

On December 29, 2020, we were assigned: (i) a 10% membership interest in Flora Beauty (5% of which was owned by Luis Merchan, our current Chairman and Chief Executive Officer); (ii) a 10% membership interest in Hemp Textiles which was owned by Mr. Merchan; and (iii) a 20% membership interest in Hemp Textiles SAS (5% of which was owned by Mr. Merchan). As consideration for the assignment of such membership interests, we issued an aggregate of 148,333 Flora Shares to the selling shareholders (other than Mr. Merchan) and paid US$300 to Mr. Merchan. In January 2022, we completed the acquisition of the remaining 10% in Flora Beauty that we did not own from an unaffiliated third party for 100,000 Flora Shares and Flora Options exercisable for up to 50,000 Flora Shares at an exercise price of US$1.70 per Flora Share. Said Flora Options expires five years from the date of the grant. We now own 100% of Flora Beauty.

On December 29, 2020, we signed a share purchase agreement with certain shareholders of Kasa to purchase 90% of Kasa for consideration of: (i) US$148,300 in cash; and (ii) the discharge of US$87,300 in liabilities of the Kasa shareholders (the "**Kasa Purchase Agreement**").

On December 29, 2020, we signed a share purchase agreement with certain shareholders of Breeze to purchase 90% of Breeze for consideration of: (i) US$147,300 in cash; and (ii) the discharge of US$58,900 in liabilities of the Breeze shareholders (the "**Breeze Share Purchase Agreement**"). In January 2022, we completed the acquisition of the remaining 10% in Breeze for consideration of 30,282 Flora Shares. We now own 100% of Breeze.

On December 18, 2020, we signed a share purchase agreement with certain shareholders of Cronomed to purchase 100% of Cronomed for consideration of US$992,000 (the "**Cronomed Purchase Agreement**").

Effective October 15, 2019, we acquired 90% of the equity interests in Cosechemos from various shareholders of Cosechemos for consideration of US$80,000 in cash. We also issued such shareholders a 10% non-dilutive, free carried interest in Cosechemos (the "**Free Carry**"). Pursuant to the shareholders agreement between the Cosechemos shareholders and us, we are funding the operations of Cosechemos and the shareholders equity interest in Cosechemos cannot be diluted by such funding during the time that the Free Carry is in effect. The Free Carry will automatically terminate upon such time as we invest an aggregate of US$25 million into Cosechemos. Upon the termination of the Free Carry, the Cosechemos shareholders will be required, if needed by Cosechemos, to fund the operations of Cosechemos on a pro rata basis or risk having their equity interest in Cosechemos diluted. Additionally, we are required to pay the Cosechemos shareholders, as a one-time payment, US$750,000 within 60 days of Cosechemos earning a net income of US$10 million.

Financings

To date, we have financed our operations and growth though short-term loans, a Regulation A Tier 2 offering which we completed in December 2020, where we raised gross proceeds of US$30 million, our IPO in May 2021, where we raised gross proceeds of US$19.2 million, and a follow-on public equity offering in November 2021, where we raised gross proceeds of US$34.5 million.

Flora Growth Core Business

Commercial & Wholesale

Flora Growth's cultivation and extraction facility is located at Anillo vial Floridablanca – Giron km 2.176, Centro Empresarial Ecoparque Natura, Torre 1 Oficina 317, Floridablanca, Santander, Colombia. Our cultivation farm and processing facility were designed for natural, organic outdoor grown legal cannabis and processing into commercial and medical-grade ingredients and related products. The primary business is commercial wholesale for export and includes THC and CBD dried flower and distillates and CBD isolates.

Flora Growth currently has four strains of cannabis approved for commercial use and an additional eight strains (cultivars) under evaluation with the ICA. We have also completed commercial arrangements to cultivate, process and sell an additional five strains previously registered with ICA for commercial use in Colombia. We develop final (dried flower, distillate and isolate) products consistent with medical cannabis industry standards and pharmaceutical procedures. Our commercial and wholesale portfolio of products includes a variety of THC and CBD both dried flower and formulations designed to meet international and domestic standards as well as evolving legal market opportunities. Flora Growth is licensed to grow, convert and export both non-psychoactive cannabis (less than 1% THC) and psychoactive cannabis (higher than 1% THC). Effective March 2022, the Colombian federal regulators granted Flora Growth an export quota of 43,600kg of psychoactive cannabis and derivatives for the calendar year 2022.

Psychoactive Cannabis Cultivation License

On August 22, 2019, we applied to the Ministry of Justice for a psychoactive cannabis license (the "**Psychoactive Cannabis License**"), which authorizes the cultivation of psychoactive cannabis plants for: (i) seeds and cuttings production; (ii) the manufacture of derivatives; and (iii) scientific research purposes. Besides cultivation, licensees also have an authorization to store, commercialize, distribute and transport psychoactive cannabis plants, as well as dried cannabis flower. Flora Growth obtained this license on March 10, 2021 and received an updated export permit of 43,612.6 kilograms on March 11, 2022 for the calendar year 2022. Please see "*General Development of Flora Growth's Business – Regulatory Environment*" of this Appendix "F" for more information.

Cannabis Manufacturing License

On August 14, 2019, Flora Growth applied to the Ministry of Health for its cannabis manufacturing license. This cannabis manufacturing license was granted as of November 9, 2020. Please see "*General Development of Flora Growth's Business – Regulatory Environment*" of this Appendix "F" for more information.

ICA Permit

Currently, Flora Growth has four varieties of both THC and CBD medicinal cannabis registered with the ICA and has the registration as the producer of several additional selected seeds under review at ICA. Upon receiving an update to the ICA Permit (eight currently approved), Flora Growth will commence commercial investigation and cultivation of additional strains. Please see "*General Development of Flora Growth's Business – Regulatory Environment*" of this Appendix "F" for more information.

Non-Psychoactive Cannabis License

Flora Growth applied for a non-psychoactive cannabis license (the "**Non-Psychoactive Cannabis License**") on September 6, 2018 and the Ministry of Justice granted the Non-Psychoactive Cannabis License on May 15, 2019, through Resolution N° 484. The Non-Psychoactive Cultivation License grants us the right to cultivate non-psychoactive cannabis plants for: (a) grain and seeds production; (b) manufacturing of derivatives; and (c) industrial production. The Cannabis Non-Psychoactive Cultivation License does not require a quota. The license is valid for up to five years and can be renewed for an additional five-year term. The Colombian government maintains the right to monitor the activities performed by the corresponding licensee. Please see "*General Development of Flora Growth's Business – Regulatory Environment*" of this Appendix "F" for more information.

Property, Plants and Equipment

Cultivation Operations

Our cultivation operations are conducted on our 361-acre farm located in Girón, Colombia, of which 249 acres are licensed for cannabis cultivation. Our farm is situated in a tropical rainforest climate throughout the year with limited temperature variation and precipitation that consistently receives approximately 12 hours of daylight, year-round, with very little seasonal variability. Consistent precipitation (rainfall) is ideal for controlling humidity and moisture levels within open-air grows and nursery greenhouses. Our farm's location and infrastructure are further well-suited to supply international markets as it is only 6.2 miles from Palonegro International Airport in Lebrija. Flora Growth's cultivation farm includes:

- *Breeding* – We built a five-acre area for the implementation of our genetic improvement program and to obtain propagation material (seed, cuttings, in vitro plants), including a greenhouse of 1,520 square meters, open field area (area of crosses and evaluation of genetic material), reproduction laboratories and plans to implement a tissue culture lab, which is estimated to be completed in the fourth quarter of 2022.

- *Propagation Center* – We have completed a 16,361 sq ft greenhouse which has the capacity to produce 23,000 root cuttings weekly. We have the ability to build another 16,361 sq ft of greenhouse capable of supplying an additional 23,000 rooted cuttings per week from 3,000 mother-plants if required to meet demand. The estimated number of plants that are required to support a planned 249-acre cultivation and harvesting operation at the farm is 46,000 plants per week (23,000 in each greenhouse). The primary function of the propagation center is to develop and propagate a steady stream of genetically identical cuttings (clones) that will supply our cultivation lots, where they will grow into flowering plants that eventually yield the harvested cannabis flower that is sent for processing into standardized, medical-grade oil extracts at our state-of-the-art drying and processing center.

- *Warehouse* – During the third quarter 2021, we constructed a 1,614 sq ft warehouse for the housing and storage of all equipment required at the farm.

- *Housing for Technical Team* – During the second quarter of 2021, we constructed 1,100 sq ft of residential quarters to host our technical team. Four members of the technical team reside at the farm to ensure that its crops have constant surveillance.

- *Fertilization Center* – We have constructed three fertilization centers, each approximately 1,100 sq ft, which contain the fertilization infrastructure and equipment needed for the farm, including pumping system, filters and automation tanks.

- *Deep Water Well* – Flora Growth has received approval to build a 328-foot deep well in 2022, as an additional source of water to be stored in the water reservoir (see below).

- *Water Reservoir* – Flora Growth intends to construct a one-hectare water reservoir which shall have a capacity of approximately 30,000 m^3 of water. We expect the water reservoir will be filled with water from the underground aquifer and the deep well during the fourth quarter of 2022.

Flora Growth leases the farm pursuant to a lease agreement (the "**Farm Lease**"), dated May 2, 2018, as amended, with C.I. Gramaluz S.C.A, the lessor. The term of the Farm Lease is five years effective since September 1, 2019 and Flora Growth pays approximately US$5,800 a month to lease the farm. There is an option to extend the Farm Lease for an additional five-year term unless we or the lessor provides notice to terminate the Farm Lease at the end of the original term. Pursuant to the Farm Lease, we have the right to purchase the farm at a price to be determined by an arm's length third party appraiser from the real estate association of Bogotá, Colombia. Flora Growth constructed a helicopter pad that allows individuals or supplies to be moved to and from the farm. It takes approximately five minutes to fly by helicopter from the farm and Palonegro International Airport in Lebrija.

Flora Growth Laboratories

Flora Lab #1

Flora Growth has a research technology and processing center located on the premises of Flora Growth's farm in Bucaramanga, Colombia ("**Flora Lab #1**"). During the fourth quarter of 2021, Flora Growth completed the construction of the research technology and processing center located on the farm, which includes a cryo-ethanol biomass extraction filtration and recovery system, isolation, drying and dehumidification, sterilization and storage in an area of approximately 11,500 sq ft. Flora Lab #1 is comprised of: (i) automated drying systems; (ii) a grinding and milling area; (iii) extraction areas; and (iv) a phytocannabinoid quality control laboratory, a soil laboratory, a phytopathology laboratory and a beneficial microorganism multiplication laboratory. Flora Lab #1 is designed to be capable of processing Flora Growth's perpetual harvest cultivation and can currently process up to 600kg/day of biomass. The facility is also designed to be expandable and able to process cultivation up to the fully-licensed acreage. We may expand the processing capabilities of our lab over time as market demand increases.

Flora Lab #2

On December 18, 2020, Flora Growth signed the Cronomed Purchase Agreement with certain shareholders of Cronomed to purchase 100% of Cronomed for consideration of US$992,000. On January 12, 2021, Flora Growth acquired certain assets from Quipropharma in exchange for US$350,000. The assets included a Colombian-based laboratory that holds GMP certifications and can produce CBD-containing products. Flora Growth also purchased certain real estate assets for total consideration of US$1,143,000. Flora Growth's acquisitions of Quipropharma's laboratory and Cronomed in Bogotá, Colombia constitute our "**Flora Lab #2**." To date, Flora Lab #2 has focused on the design and development of dermo-cosmetic products to respond to the needs of consumers, health specialists, patients and therapists. Flora Lab #2 also manufactures custom formulas and premium personal care products for business-to-consumer clients registered at INVIMA.

Custom formulas may range in complexity from a single ingredient product to a product featuring multiple ingredients. The custom formulation process includes the modification of an existing product or the development of an entire new product to target a specific concern. Flora Lab #2 currently provides a variety of custom products for established customers and is involved in every phase of product development. Flora Lab #2's portfolio of products and services include GMP-certified manufacturing of phytotherapeutics, dietary supplements and topical products.

Flora Lab #2 also employs a B2B model, selling its products to wholesalers, pharmacies and retailers. Flora Lab #2 is focused on the commercialization and distribution of over-the-counter products, including dietary supplements,

phytotherapeutic and nutraceutical products, supplements and related products to large channel distributors, including pharmacies, medical clinics and cosmetic companies.

Flora Lab #2 uses third-party white-label producers (including international suppliers Athena from France and Nyells from the United States, and domestic suppliers such as Coaspharma, Colompack, Syntofarma, Vital Hands, Nutripharma, among others) to manufacture its products under its various brands and has strong relationships with such producers and suppliers of raw materials. In addition, Flora Lab #2 sources a majority of its raw materials within Colombia and the active pharmaceutical ingredients are supplied by both Colombian and international companies from various countries including the United States, China and Germany.

Flora Lab #3

In February 2022, we acquired HRPL, a leading manufacturer, distributor, and retailer of CBD derived products. HRPL's laboratory ("**Flora Lab #3**") is located in Fort Lauderdale, Florida, and can manufacture white label CBD solutions across 15 categories, including gummies, topicals and tinctures. HRPL was founded in 2018 and has consistently expanded its footprint to meet demand. HRPL's primary business model is to produce JustCBD branded goods, however, HRPL also manufactures CBD products for other third-party customers and expects to continue to grow third party revenue opportunities. HRPL is currently operating in an 18,000 sq ft facility that contains a lab for R&D, formulating, testing, a drying room, storage area, automated packaging lines for gummies, and bottling lines for tinctures, topicals, and other bottled products. In addition, Flora Lab #3 can conduct in-house potency testing to test the efficacy of products produced. We currently lease Flora Lab #3 for US$39,647 a month, pursuant to a lease agreement that expires on June 30, 2024.

Flora Lab #4

On December 29, 2020, we signed the Breeze Share Purchase Agreement with certain shareholders of Breeze to purchase 90% of Breeze for consideration of: (i) US$147,300 in cash; and (ii) the discharge of US$58,900 in liabilities of the Breeze shareholders. In January 2022, we completed the acquisition of the remaining 10% in Breeze for consideration of 30,282 Flora Shares. We now own 100% of Breeze ("**Flora Lab #4**"). Flora Lab #4 is in Bogotá, Colombia and is focused on the commercialization and distribution of pharmaceutical and custom phytotherapeutic formulations.

House of Brands

JustCBD

JustCBD is Flora Growth's leading consumer packaged goods brand. JustCBD was launched in 2017 with a mission to bring high-quality, trustworthy, and budget-friendly CBD products to market. JBL, together with HRPL, is a leading manufacturer, distributor, and retailer of CBD derived products. JustCBD currently offers over 350 products across 15 categories through its wholly-owned subsidiaries, including CBD gummies, topicals, tinctures, and vape products and ships to over 11,500 independent retailers worldwide. JustCBD is a lifestyle wellness brand with a wide array of product categories including edibles, bath and body, pets, sports recovery and more. JustCBD is available for purchase in smoke and vape shops, clinics, spas and pet stores, as well as other independent non-traditional retail channels. JustCBD's products are third-party lab-tested to ensure quality. These lab reports are accessible via a QR code on product labels and online.

In JustCBD's 26,000 sq ft facility, distribution, wholesale, B2B and D2C orders are fulfilled and shipped worldwide. We lease this facility for US$25,862 a month, pursuant to a lease agreement that expires in April 2024. Flora Growth's JustCBD business recently entered the South American market with both wholesale and retail operations along with active expansion efforts into the United Kingdom, France, and Germany. As of December 31, 2021, JustCBD shipped over 4.8 million products worldwide. In addition, JustCBD has a subscriber base of over 500,000 customers worldwide. We believe these existing customers have affirmed JustCBD's product quality and experience, awarding over 30,000 five-star reviews to date. JustCBD has also recently deployed a subscription model where over 5,000 customers have signed up to receive recurring monthly orders. We expect the volume of subscribers to continue to grow throughout 2022 and beyond, which will be a meaningful component of our e-commerce strategy, further increasing the lifetime value of JustCBD's customer base.

Vessel

Vessel is Flora Growth's cannabis accessory and technology brand currently servicing the United States and Canada through D2C and retail sales. The products include cannabis consumption accessories, personal storage and travel accessories for vape and dry herb categories, which are sold to dispensaries, smoke shops and cannabis brands. Vessel is a lifestyle brand, developing products for key consumer personas interested in "elevating" the consumption experience. The majority of revenue from Vessel is captured in the United States via its D2C website. To date our VBI operations are headquartered at 2236 Rutherford Rd., Suite 103, Carlsbad, California 92008, where we lease 12,000 sq ft of office and warehouse space for US$30,000 a month, pursuant to a lease agreement that expires in July 2027 (the "**VBI Lease Agreement**"). Due to numerous operating efficiencies, we have shifted all of VBI's fulfillment services to JustCBD's warehouse in Fort Lauderdale and intend to sublet the Carlsbad facility during the fourth quarter of 2022.

VBI was founded in 2017 by James Choe (Flora Growth's current Chief Strategy Officer) with the intent to design and build better cannabis accessories for the burgeoning market in the United States. The initial product mix was focused on the popular 510-thread compatible battery market. With 510 thread cartridges being the predominant form factor and delivery method in the vaping category, VBI sought to build a battery that would be compatible with the majority of cartridges in the market, agnostic to oil brands and producers. The launch of Vessel took place in October 2018 and featured six styles to address various segments of the consuming audience.

In late 2019, VBI began to introduce additional ancillary items that would complement the consumption experience including storage cases and charging stands compatible with the batteries. In the summer of 2021, VBI expanded the Vessel line to include dry-herb accessories to address the large cannabis flower consuming audience. Since the initial launch of four dry herb SKUs, Vessel has added an additional ten SKUs to better support the category. Since its inception, VBI has grown its customer database to 150,000 subscribers and optimized customer acquisition costs from an initial US$200 per customer to a blended rate of US$16 per customer acquisition.

Since its launch, VBI has broadened its Vessel product offering to include pen-style and palm-sized vape batteries, charging stands for its vape collection, storage cases, travel wallets, protective sleeves, patent-pending "one-hitter" all brass pipes, "one-hitter" glass pipes, storage jars, lighters, dry herb grinder, and ashtrays. VBI holds a number of patents and trademarks on its portfolio of products. Please see "*General Development of Flora Growth's Business – Our Intellectual Property Portfolio*" of this Appendix "F" for more information.

VBI uses a mix of owned and paid, on and offline channels for both brand awareness and customer acquisition. VBI engages in paid media buys, advertising, affiliate marketing, newsletter buys, influencer seeding, and content sponsorships. VBI also produces owned content in both written and video formats to support owned channels via the website, social media and YouTube. In addition, VBI frequently participates in various industry events and tradeshows.

Vessel sells through three primary channels:

- D2C: via www.vesselbrand.com / www.vesselbrand.ca which accounts for the majority of Vessel revenue. Vessel's D2C model is currently offered in the United States and Canada.

- Retail Distribution: This channel encompasses cannabis dispensaries (over 400 stores in North America), smoke shops, and boutiques purchasing at wholesale, as well as domestic and international distributors representing Vessel in specific regions and reselling the Vessel product to wholesale accounts.

- B2B: Vessel engages multi-state operators, license producers, and brands through original equipment manufacturing and original design manufacturing programs consulting, designing, and managing supply chain and logistics on varying levels of custom-branded product.

Mind Naturals

Mind Naturals is Flora Growth's clean beauty brand. Mind Naturals' skincare and beauty products are made with innovative ingredients such as CBD oil extract, hemp seeds for exfoliators and other natural ingredients. Flora Growth sources CBD, cosmetic ingredients and packaging components from the larger global supply chain for manufacturing and packaging of the Mind Naturals brand.

Mind Naturals entered the United States skincare market with sales commencing in September 2020. The Mind Naturals products represent a socially conscious approach to the industry by creating products that are paraben and phthalate free, vegan, and absent any ingredients that utilize animal-testing. The skincare brand is formulated with and without CBD oil as a key ingredient, alongside other natural ingredients, some of which are endemic to Colombia and the Amazon forest.

Mambe

Our Mambe brand of products includes juices and canned goods. Mambe products are made using organic and sustainable methods. The Mambe brand operates primarily on a B2B model, where it sells to both distributors and retail businesses.

Over the last three years our Mambe juices have been distributed in Colombia, primarily in supermarkets, discount retailers, coffee shops, restaurants and airports in Bogotá, Colombia, including well-known Colombian retailers Tostao, Jumbo, Ara, Xue and Sipote Burrito.

To market our Mambe products, we are focusing on outreach to domestic and international wholesale, retail and e-commerce prospects.

Flora Growth relies on a combination of trademark, patent, copyright and trade secret protection laws in Colombia to protect our intellectual property and our brands. With respect to the Mambe brand, we hold four sanitary registers of INVIMA for the production and export of its juices and botanicals, permitting 18 recipes of juices for distribution. These registration expiration dates range from July 2022 to February 2031, with options to renew upon expiration. We do not anticipate any difficulty renewing these registrations to the extent we choose to do so.

Stardog

In June 2020, we launched our inaugural lifestyle brand, Stardog, a consumer-facing apparel brand that designs and markets loungewear made from hemp-derived fabric and materials. We commercialize the brand through both e-commerce and brick and mortar retail locations. In December 2020, we opened our first brick and mortar retail store to sell our products in Bogotá, Colombia at the Parque la Colinas shopping center. In December 2021, we opened our first U.S.-based retail location in the Wynwood district of Miami, Florida. In January 2022, select Stardog Loungewear products became available for sale on Macys.com.

Stardog markets itself as a lifestyle brand for consumers who are eco-conscious. We are able to distribute these products worldwide through e-commerce channels as hemp fabric is not regulated as a controlled material. Stardog products are currently manufactured in Colombia using hemp fabrics primarily from Turkey and China.

Initially, Stardog launched with an inaugural collection for men that included jogger pants, house shoes, crew neck sweaters, hoodies, t-shirts, henley shirts, robes and shorts. In the Spring of 2021, Stardog launched its inaugural women's collection that included tank tops, shoes, pants, robes, pants, and jackets. On an ongoing basis, Stardog launches seasonal collections with updated designs and new colors and products.

Stardog products use eco-conscious materials wherever possible to appeal to its intended consumer. This includes design materials such as shoe soles that include recycled coffee, hemp-based tags, organic fabric inputs, among other initiatives.

We operate our Stardog brand through our subsidiaries Hemp Textiles & Co SAS and Hemp Textiles.

No Cap

On September 7, 2022, our wholly-owned subsidiary, JBL, acquired 100% of No Cap without paying any consideration at closing. Instead, Flora Growth will pay to the sellers, 10% of the gross revenue received from the sale of No Cap products up to a maximum of US$2M.

The No Cap acquisition allowed us to fast track the introduction of high-quality flower, prerolls, and novel rare cannabinoid formats to Flora Growth's growing product portfolio. We will develop and further expand on the flower and smokeable line as well as distribute the No Cap brand into Flora Growth's ~14,000 points of distribution.

No Cap adds approximately 75 SKUs to Flora Growth's product portfolio as well as the "No Cap" and "Moonblunt" trademarks. No Cap's gas infusion technology also complements Flora Labs' manufacturing capabilities and the overall offering addresses a new segment of the market, not currently served by the rest of the Flora Growth portfolio.

Tonino Lamborghini

On November 9, 2021, we entered into an exclusive license agreement with TL for the manufacturing, promotion and distribution of Tonino Lamborghini branded beverages using CBD in North America and Colombia (the "**TL Licensing Agreement**").

Flora Growth also retains the right of first refusal on any or all additional Tonino Lamborghini products containing cannabinoids in North America and Colombia which may include, but are not limited to, beverages, edibles, wellness or other ingestibles and for the expansion or addition of new geographic regions or territories. The Flora Growth /TL beverages will be all marketed with high-end positioning among competing fast-moving consumer goods of similar product quality.

The TL Licensing Agreement is based on an initial three-year term with a projected five million units (individual beverages) sold within that period. Flora Growth, may at its option, cancel the agreement after one year with no penalty or additional charges. The TL License Agreement includes a minimum guaranteed royalty of US$250,000 in year one of the agreement that increases with the scope and size of the projected sales in each subsequent year.

KaLaya Naturals

On November 26, 2021, we entered into a definitive agreement with Canada-based Avaria to form FloVaria, a joint venture company equally owned by Flora Growth and Avaria.

Created by a Canadian medical doctor and pharmacist, KaLaya Naturals offers natural product formulations for pain relief. Through FloVaria, our various manufacturing and sales groups will provide distribution, supply chain and marketing support of KaLaya Naturals' therapeutic skin products in Colombia, Mexico, and potentially other LATAM or European Union countries. Avaria will initially supply the finished product to FloVaria from Canada. In the event that manufacturing costs from Canada become materially higher than the cost to produce in Colombia, FloVaria will explore moving its supply chain activities of Avaria products to Flora Lab #2.

Flora Growth is currently registering KaLaya products in Colombia and Mexico. Flora Lab #2 is currently working to produce FloVaria's cannabinoid-infused products, with an emphasis on incorporating cannabidiol, using cannabis from our cultivation facility. These products are expected to be distributed across LATAM using Flora Lab #2's established distribution channels, with the goal of exporting to the U.S. market, where Avaria recently launched its KaLaya brand.

Life Sciences

Led by Dr. Annabelle Manalo-Morgan, Ph.D, a member of the Flora Board and our Lead Scientific Advisor, Flora Growth's research arm seeks to support leading scientists and research institutions such as Vanderbilt University and the University of Manchester to advance access to the research of cannabinoid-based medicine. We are looking to

identify the most efficacious combination of plant-based compounds and derivatives to provide consumers with products that satisfy the commitment to better living through thoughtful and curated wellness.

Obtaining preclinical data is a complex multistep process that gathers information on the safety and efficacy of new drug formulations. Traditionally, preliminary work in cellular, tissue, and animal-based studies required for an FDA approval, or similar approval in countries outside the United States, are performed at academic institutions. We have completed the first phase in preclinical assignments with our University of Manchester partners and we are defining patient protocol for our anticipated study that will assess the benefits of a proprietary CBD formulation on patients from fibromyalgia and pain-related illnesses and, subject to positive feedback, seek approval from the National Health Service.

Material Contracts

Purchase Agreement (the "Just Brands Agreement") for Just Brands LLC and High Roller Private Roller LLC

On February 24, 2022 (the "**Just Brands Closing Date**"), our wholly-owned subsidiary Flora Growth U.S. Holdings Corp. completed the acquisition of 100% of the outstanding equity interests in each of JBL and HRPL (HRPL, together with JBL, the "**Acquired Companies**"). JBL is based in Fort Lauderdale, Florida and is a leading distributor and retailer of CBD derived products through its widely recognized "JustCBD" brand, with HRPL manufacturing several of the leading products sold by JBL on-site.

The purchase price for the Acquired Companies consisted of: (i) US$16,000,000 in cash (the "**Just Brands Cash Consideration**") and (ii) 9,500,000 privately issued Flora Shares (the "**Initial Just Brands Share Consideration**"). The Initial Just Brands Consideration Shares are exempt from the registration requirements of the U.S. Securities Act. The purchase price is subject to potential adjustments as described below.

Pursuant to the Just Brands Agreement, US$1.0 million of the Just Brands Cash Consideration has been deposited into an escrow account to satisfy any reduction to the purchase price which may become necessary in the event that we determine that the working capital of the Acquired Companies delivered at the closing is less than the target working capital agreed upon as set out in the Just Brands Agreement.

Similarly, 3,166,667 of the Initial Just Brands Consideration Shares (the "**Escrow Shares**") have been deposited into a share escrow account to satisfy: (i) shortfalls, if any, between the Acquired Companies' actual audited 2021 revenue/EBITDA vs. targeted revenue/EBITDA; (ii) indemnification claims, if any, arising from the sellers' breach of representations and warranties for a period of 15 months following the closing; and (iii) all expenses of defending and all settlements and/or final judgments with respect to, litigation relating back to the period prior to the closing.

Each of the sellers has entered into a lock-up agreement, pursuant to which they have agreed not to sell any Initial Just Brands Consideration Shares for a period of six months following the Just Brands Closing Date.

The Just Brands Agreement provides that if at any time during the 24 months following the closing (the "**Reference Period**"), the five-day VWAP per Flora Share as quoted on the Nasdaq fails to equal or exceed US$5.00, then promptly following the Reference Period, Flora shall issue a number of additional Flora Shares (the "**Additional Shares**", together with the Initial Just Brands Share Consideration, the "**Just Brands Share Consideration**") to sellers so that the Just Brands Share Consideration has an aggregate value of US$47,500,000, less the value of any Escrow Shares relinquished or sold out of the share escrow described in the preceding paragraph, determined by a formula set forth in the Just Brands Agreement.

In the event: (i) the VWAP exceeds US$5.00 per Flora Share at any time during the Reference Period; and (ii) some or all of the Escrow Shares are released from escrow at a weighted average sale price US$5.00 per Flora Share, Flora Growth shall issue Additional Shares to sellers calculated pursuant to the formula set forth in the Just Brands Agreement. Such Additional Shares, if any, would be issued promptly following the expiration of the Reference Period. Notwithstanding the foregoing, in no event shall Flora Growth be obligated to issue more than 3.65 million Additional Shares unless Flora Growth's shareholders have voted on and approved the terms of the Just Brands Agreement. If such shareholder approval is not obtained and if, at the end of the Reference Period, Flora Growth is required to issue more than 3.65 million Additional Shares to the sellers (any such shares being referred to as "**Excess**

Shares"), then Flora Growth shall deliver cash in lieu of the Excess Shares, calculated by a formula set forth in the Just Brands Agreement.

The sellers also entered into restrictive covenant agreements pursuant to which they agreed that they will not compete with the business conducted by the Acquired Companies nor solicit employees of the Acquired Companies for a period of two years following the Just Brands Closing Date.

VBI Merger Agreement

On November 12, 2021, pursuant to the VBI Merger Agreement between Flora Growth, our wholly-owned subsidiary, VBI, and certain related third parties, we acquired 100% of the capital stock of VBI for consideration consisting of US$8.0 million in cash and the issuance of 4,557,318 privately issued Flora Shares. VBI is a developer and retailer of high-end cannabis consumer technology. Headquartered in Carlsbad, California, Vessel distributes its premium hardware and accessories throughout the United States and internationally.

Certain shareholders of VBI that received in excess of a majority of Flora Shares issued as part of the transaction consideration have entered into lock-up agreements restricting the transfer of such Flora Shares for a period of six months from the closing.

The Global Cannabis Industry

Expanding Cannabis Market

The global cannabis market is growing at approximately a 13% CAGR and projected to reach approximately US$55B by 2026 globally[1]. Flora Growth's initial focus is on selling products in Colombia, the United States (CBD only), the European Union, Australia and Mexico in the short term, with expansion to other LATAM countries and Canada, subject to regulatory conditions and import requirements in such countries. Consumer products, cosmetics and food and beverage products with a shifting focus away from dried flower and onto derivatives (extractions, oils, isolates and finished products) presents the biggest opportunity in the cannabis market globally. Flora Growth believes that the cannabis market presents a natural and underutilized opportunity to diversify revenue streams across business and consumer segments including wholesale, wellness, beauty, apparel, technology, and food and beverages.

Colombia

Serving Colombian local markets and certain countries in Latin America that have legalized medicinal cannabis and allow for the importation of CBD-based products, addresses the medicinal cannabis needs of prospective Colombian patients with conditions potentially suitable for treatment with medical cannabis. Colombia has more than 18 trade agreements worldwide, including with the United States, Canada, and the European Union, and is a founding member of the Pacific Alliance Regional trade block. This gives Colombian-based companies access to more than 65 countries.

In 2022, the Colombian government passed Resolution 227 and Resolution 539, completing the necessary guidelines for cannabis agriculture and manufacturing proposed in Decree 811. Resolution 227 provides the necessary framework for the use, distribution and export of cannabis, dried flower, and other non-psychoactive derivatives. On April 1, 2022, the Government of Colombia finalized the cannabis flower regulatory checklist under Resolution 539 permitting licensed cannabis cultivators with export quotas, including Flora Growth, to pass a mandatory approval process for the export of both CBD and THC flower.

On January 1, 2022, insurance providers in Colombia were mandated to cover the costs of both THC and CBD medical products which covers 97% of the country's over 55 million person population.

[1] BDSA Updated Global Cannabis Market Forecast -Fall 2022 Report - October 2022

United States

The United States currently has 19 legal states and the District of Columbia providing for "adult use" of recreational cannabis and 39 states providing for some access to cannabis through a hybrid or medical program. It is projected that U.S. legal sales will grow at a CAGR of 11%, reaching past $57 billion by 2030[2]. As Flora Growth is listed on the Nasdaq that maintains the U.S. federal prohibition on cannabis products containing THC, we operate exclusively today in the CBD-based or accessory business in the United States market. This includes importing cosmetic and beauty products, accessory and non-cannabinoid products and CBD products produced by our JustCBD brand in Florida. According to Brightfield Group, the United States hemp-derived CBD market reached US$5.3 billion in retail sales in 2021 and is expected to grow to US$16 billion in 2026. This would imply 15% growth over 2020 sales of US$4.6 billion and a 23% CAGR from 2021 to 2026.

Europe

The European cannabis landscape continues to advance largely with Germany, Malta, Switzerland, Poland and the United Kingdom being the furthest ahead by means of establishing a legal cannabis framework. On October 26, 2022, Germany announced that it had set out planned legislation to regulate the controlled distribution and consumption of cannabis for recreational purposes among adults, though no timeline was given for such plan. Prohibition Partners, a leading market intelligence firm on the global cannabis industry, estimated that the European cannabis market will be worth €403.4 million by the end of 2021 and will grow at a CAGR of 67.4% from 2021 to reach €3.2 billion by 2025. Products like CBD edibles continue to be governed by the European Union Novel Food Act and as a result provide near term upside for Flora Growth.

Medicinal Cannabis Market

Flora Growth currently serves the domestic Colombian market and has entered into agreements with distributors in Latin America that have legalized medicinal cannabis and allow for the importation of CBD-based products. The CBD dominant cannabis products will mainly be focused on addressing the medicinal cannabis needs of prospective Colombian patients with conditions potentially suitable for treatment with medical cannabis. Such conditions include anxiety, insomnia, anorexia, chronic pain, epilepsy, chemotherapy-induced nausea and vomiting, post-traumatic stress disorder, Parkinson's disease, Tourette syndrome, irritable bowel syndrome and spasticity associated with multiple sclerosis and spinal cord injury.

The market for medicinal cannabis in Colombia is evolving with limited supply and few authorized producers of THC dominant cannabis. There are comparatively more producers of CBD dominant cannabis as production of CBD cannabis is not subject to the quota system in Colombia. Although competition in the market is growing, management believes that we are competitively positioned to capitalize on our early mover status and to satisfy a significant portion of the market's demand for medicinal cannabis.

The global cannabis industry is experiencing significant change as governments embrace regulatory reform, liberalizing the production and consumption of cannabis. It is possible that foreign corporations may enter the Colombian market as a result of Colombia's regulatory regime, creating the prospect of Colombia becoming a hub for future industry development. In addition, we may face new competition with other licensed cannabis producers offering similar products to our products.

Pharmaceutical Market and Health Sector

According to the data reported to the Drug Price Information System, pharmaceutical sales have shown sustained growth in recent years, although in 2019 it grew at the lowest rate since 2015. In turn, the units sold rose from 1.06 billion in 2018 to 1.08 billion in 2019, showing a 2% increase. In 2020, drug makers raised prices on more than 860 drugs by around 5%, on average, according to 3 Axis. Drug price increases have slowed substantially since 2015, both in terms of the size of the hikes and the number of drugs affected. Drug increases come at a time where increased

[2] New Frontier Data "Midterm Elections See Five States Voting on Adult-Use Cannabis",11/01/2022

pharmaceutical engineering has moved to fight Covid-19, with many companies exploring CBD as a drug to combat Covid-19.

The health sector in Colombia offers various business opportunities in vaccine and biotechnological drug production centers, as well as in the medical cannabis market. Flora Lab #2's R&D teams are exploring how its product line can incorporate CBD-oil to improve the effectiveness of its products and develop new products using CBD as an active ingredient. We believe that Colombia has become a benchmark in this industry as, to our knowledge, one of the first countries to structure a regulatory framework for the safe and informed access to the medical and scientific use of the plant and its derivatives. Furthermore, the chemical sector in Colombia has adopted several international regulations, such as the Good Laboratory Practices and the Globally Harmonized System. In addition, Colombia has implemented its own control system for substances that could be used for illegal purposes, and it is currently implementing environmental protection systems such as the Pollutant Release and Transfer Registry.

Despite Colombia's struggle with counterfeit medicines and restrictive pharmaceutical pricing environment, the country's large and burgeoning population and recent legislative commitments to improving healthcare access will continue to offer growth opportunities to drug-makers. Flora Growth anticipates competing with other manufacturers and distributors of over-the-counter pharmaceutical products in Colombia, the United States and Canada as it moves forward with the execution of its international business plan. Flora Lab's operations and ability to compete internationally have benefited from joining due to vertical integration synergies and access to our management team, board of directors and advisors as well as capital to grow its business.

Skincare and Beauty Market and the Cosmetics Sector

Some of Flora Growth's objectives are to compete in the CBD beauty and wellness markets in Colombia, North America and Europe, provide visibility to the quality of the products that are grown and developed in Colombia, and create skincare and beauty products that promote well-being and are part of the beauty routine of the more conscious women.

The focus is on selling Mind Naturals' personal care products in the United States and Colombia in the short term, with expansion to other LATAM countries, Canada and Europe, subject to regulatory conditions in such countries. Presently, the United States allows for the commercial production and distribution of skincare products containing CBD. Mind Naturals' products are already being sold in Colombia at Falabella and online at www.mindskincare.com. Falabella has retail stores in large South American countries such as Mexico, Chile, Peru, Argentina and Colombia and is considered the largest and most valuable retail company in Latin America.

According to Prohibition Partners, the beauty industry worldwide generated US$524 billion in revenue in 2019 and is projected to grow to over US$800 billion by 2023, making it one of the fastest growing segments in retail. At the center of it is the United States, which represents US$20 billion in sales in 2019 and leads the world in trends and brand adoption. The global CBD skincare market was valued at US$710 million in 2018 with projected sales of US$959 million by 2024.

The cosmetics sector is a growing market in Colombia and in the world. The director of the Chamber of the Pharmaceutical and Toiletries Industry of the National Association of Business of Colombia reported that in 2019 the cosmetics industry represented sales of more than US$3.57 billion in Colombia.

Lifestyle Apparel and Footwear Market

According to Global Newswire, the global sleepwear and loungewear markets are poised to grow by US$19.5 billion during 2020-2024, progressing at a CAGR of 9%. Moreover, according to Bloomberg, the loungewear market is expected to reach US$47.8 billion by 2025, making it a very interesting market to focus on. While apparel sales were down in 2020 by 52%, loungewear sales grew by 22.5%, representing a CAGR gap of 77.5% according to Forbes. This contrast has made many players turn their eyes to the loungewear subcategories, such as activewear, sleepwear and home comfort wear. In addition to creating products in the loungewear market, we have seen great success and consumer interest in our sustainable shoe line.

With the footwear market projected to gross US$427.4B by 2027, representing a CAGR of 2.9%[3] we have chosen to expand our footwear offering to address consumer demand in the sustainable footwear niche.

Food and Beverages Market

Flora Growth's principal market over the last three years for its Mambe juices has been in Colombia, primarily in supermarkets, discount retailers, coffee shops, restaurants and airports in Bogotá, Colombia, including well-known Colombian retailers Tostao, Jumbo, Ara, Xue and Sipote Burrito. Flora Growth's products are not subject to strong seasonality concerns in Colombia.

We intend to expand Mambe's offerings over the entire Colombia domestic territory over the next three years and export its portfolio of products to the United States and Canada.

Our Competitive Strengths

The market for medicinal cannabis in Colombia is characterized by a shortage of medical grade cannabis, with few authorized producers of THC dominant cannabis. There are comparatively more producers of CBD dominant cannabis as production of CBD cannabis is not subject to the quota system in Colombia, which is a system established by the Colombian government to limit the production volume of cannabis plants and derivatives. Although competition in the Colombian market is growing, Flora Growth believes that it is competitively positioned to capitalize as an early mover and to satisfy a significant portion of the market's demand for medicinal cannabis. Flora Growth also sees a lack of Colombian extractors striving for European Union GMP certification to allow for global distribution of finished isolates and distillates.

Due to the competitive and dynamic nature of the emerging cannabis products market and rapid changes in the regulatory environment, Flora Growth does recognize the need to remain flexible, so it can react to opportunities and risks as they develop. Management will continue to re-evaluate and re-prioritize strategies to respond to these developments. We are actively fostering a culture of continued agility and exploration since the ability to pivot depending on market dynamics will deliver competitive advantage.

Flora Growth's experienced management team provides a competitive advantage in the emerging cannabis industry.

Management expects that its experience and strong understanding of Colombia's regulatory framework, the agricultural and scientific processes necessary to develop high quality and consistent medicinal cannabis products, as well as the knowledge and expertise in go to market strategy, provides Flora Growth with a competitive advantage in the emerging cannabis industry.

The Colombian cultivation advantage for the operation of our business.

Outdoor cannabis cultivation in Colombia with environmental conditions that allow us to have five crop cycles (harvests) per year, compared to one to two in other outdoor growing countries. This allows Flora Growth to grow cannabis with a larger output per square foot. Further, according to Bloomberg, the strength of the U.S. dollar is projected to provide us with a cost advantage over our competitors, due to each dollar going further in Colombia as compared to other countries (1 USD = approximately 5,000 Colombian pesos). In addition, according to Digital Logistics Capacity Assessments, Colombia has a workforce highly-skilled in agriculture at only 1/10th of the cost compared to the United States.

Production of natural cannabis and derivative products to capitalize on rapidly growing consumer segments.

Product categories such as food and beverage, nutraceuticals and pet wellness have lower barriers of entry in terms of regulation than medicinal cannabis and afford Flora Growth the opportunity to expand distribution and increase revenues over the short term. Flora Growth expects its consumer packaged goods division to be a key competitive

[3] ReporterLinker.com – Global Footwear Industry Report, October 2022

advantage compared to its other international counterparts that have a less diversified strategy. Natural and sustainable products across food and beverage, cosmetics, and medicinal markets are projected to grow rapidly as consumers prioritize healthy and sustainable products that are good for themselves, their family, and their environment.

Integrated structure of synergy within growing operations.

Flora Growth's integrated structure provides synergies across its three pillars. The Wholesale and Commercial pillar provides raw materials and manufacturing capabilities for its House of Brands pillar. It also provides Flora Growth's Life Sciences pillar with manufacturing capabilities of pharmaceutical grade products. Conversely, Flora Growth's House of Brands pillar provides meaningful distribution channels for its wholesale operations. This integrated approach provides Flora Growth with the opportunity to benefit from margins across the entire supply chain.

Commercial Growth Strategies

Flora Growth's goal is to become a market leader in the cultivation and processing of natural, medicinal-grade cannabis and high quality cannabis derived medical and wellness products for large channel distributors, including pharmacies, medical clinics, and cosmetic companies, by expanding our production capacity, creating sustainable and natural products, expanding our geographic footprint, continuing to explore strategic partnerships and pursuing accretive acquisitions to supplement our organic growth. These key commercial growth strategies are set forth below.

Expanding production capacity.

In the near term, our primary strategy is to expand our production capacity and related infrastructure to meet existing demand.

Following the successful licensing of 249 acres at the farm, and subject to demand, Flora Growth may seek to expand operations by cultivating non-psychoactive cannabis at the adjacent farmland or through partnerships with other licensed cannabis producing assets. Flora Growth also expects to expand manufacturing, warehouse and distribution capacity for its Flora Growth laboratories and brands in North America and Colombia to meet increasing demand for consumer-packaged goods and pharmaceutical grade formulations.

Creating Sustainable and Natural Products.

Flora Growth sees sustainable innovation as key to achieving production objectives, and the main driver to our product development approach. All Mind Naturals packaging is designed to be sustainable (for example, utilizing sugar cane tubing) to help reduce the environmental impact and support sustainability goals. The Mind Naturals team is also in the process of achieving EWG certification for its two lines. EWG is a non-profit, non-partisan organization dedicated to protecting human health and the environment.

Regulatory Environment

Flora Growth has obtained the necessary licenses to operate on a global scale including all governmental approvals, licenses and permits. A summary of such governmental approvals, licenses and permits are set forth below. Please see "*General Development of Flora Growth's Business – Our Intellectual Property Portfolio*" of this Appendix "F" for more information

Flora Growth Cultivation

Import and Export Licenses

Our cultivation farm has received the requisite licenses and permits for the farming, and manufacturing of both psychoactive and non-psychoactive cannabis derivatives. Flora Growth has also obtained a permit to export both psychoactive and non-psychoactive dry flower, becoming one of the first companies with operations in Colombia to do so. Flora Growth's cultivation is certified Good Agriculture and Collection Process and follows organic cultivation methods.

Fuente Semillera License / Registration as a Selected Seed Producer

Prior to December 31, 2018, under article 2.8.11.11.1 of Decree 631 of 2018, licensed cannabis producers had the right to register before the ICA the genetics of any cannabis strain found in Colombia without having to declare or specify its origin. This right, known as "Fuente semillera", works a mechanism to legalize the sources of cannabis genetics already existing in Colombia, by allowing licensees to initiate the formal proceedings before the ICA, required to register such genetics in the Colombian National Plants Registry or "Registro Nacional de Cultivares." In this sense, each strain registered as Fuente semillera belongs to each licensee, giving it the right to grow its own strands of cannabis as opposed to having to purchase registered strands from other licensed producers. Since December 31, 2018, we have registered 12 varieties as our own Fuente semillera. This registration enables Flora Growth to grow its own strains of cannabis as opposed to having to purchase registered strands from other licensed producers.

Psychoactive Cannabis Cultivation License

On August 22, 2019, Flora Growth applied to the Ministry of Justice for the Psychoactive Cannabis License, which authorizes the cultivation of psychoactive cannabis plants for: (i) seeds and cuttings production; (ii) the manufacture of derivatives; and (iii) scientific research purposes. Besides cultivation, licensees also have an authorization to store, commercialize, distribute and transport psychoactive cannabis plants, as well as dried cannabis flowers. Flora Growth obtained this license on March 10, 2021 and received an updated export permit of 43,612.6 kilograms on March 11, 2022.

Cannabis Manufacturing License

On August 14, 2019, Flora Growth applied to the Ministry of Health for its cannabis manufacturing license and received the cannabis manufacturing license as of November 9, 2020.

ICA Permit

Currently, Flora Growth has four varieties of medicinal cannabis registered with the ICA and has the registration as a producer of selected seeds granted by the ICA. Upon receiving the ICA Permit (four currently approved), in the first quarter of 2022, Flora Growth commenced commercial cultivation of both psychoactive and non-psychoactive cannabis..

Non-Psychoactive Cannabis License

We applied for the Non-Psychoactive Cannabis License on September 6, 2018, and the Ministry of Justice granted it on May 15, 2019, through Resolution N° 484. The Non-Psychoactive Cultivation License grants us the right to cultivate non-psychoactive cannabis plants for: (a) grain and seeds production; (b) manufacturing of derivatives; and (c) industrial production. The Cannabis Non-Psychoactive Cultivation License does not require a quota. The license is valid up to five years and can be renewed for an additional five year term. The Colombian government maintains the right to monitor the activities performed by the corresponding licensee.

Because the Non-Psychoactive Cannabis License allows Flora Growth to cultivate, produce and distribute CBD dominant cannabis oils and derivative products, this provides a strong base for our operations as the recently established medicinal cannabis market in Colombia develops and matures, and opportunities in Colombia's low THC non-psychoactive cannabis over-the-counter markets arise. In Colombia, there are approximately 500 companies with a Non-Psychoactive Cannabis Cultivation License.

It is important to note that, in compliance with its international obligations, Colombia establishes an annual limit for the production volume of cannabis plants and derivatives, which is monitored by the International Narcotics Control Board. Based on this limit, the Colombian government established a quota system, in order to control the amount of psychoactive cannabis production per license. This means that for the Psychoactive Cannabis License, licensees must first apply for a specific crop or manufacturing quota, before beginning production. Such restriction is not applicable to non-psychoactive cannabis production, and therefore not applicable to the Non-Psychoactive Cannabis License.

Compliance and Registrations for our Skincare and Beauty Products

Mind Naturals manufactures products under strict international standards. Pursuant to Colombian law, Mind Naturals is permitted to manufacture, sell and export beauty and cosmetics products made from CBD and other natural ingredients. In addition, all of Mind Naturals' products are compliant with FDA regulations and manufactured in an FDA registered lab.

All Mind Naturals products are registered with INVIMA, Colombia's food and drug regulatory agency. Currently, Mind Naturals has licenses from INVIMA for its products. We have also obtained all the approvals for the O brand products from INVIMA. Moreover, we are in the process of achieving certification for the two product lines from the EWG.

Operating License and Registrations for Dermo-Cosmetic Products

In 2012, Flora Lab #2 focused its efforts on the construction of its production facility and received an operating license from INVIMA in November 2012. This operating license allows Flora Lab #2 to produce cosmetic products. This license is still valid. In 2013, the manufacturing and commercialization of Flora Lab #2's brand products and third-party products commenced. Each product requires an individual registration. Flora Lab #2 currently has over 20 of its own plus over an additional 50 registered products from third parties for which it provides bottling and packaging services.

Licenses for our Pharmaceutical Products

Flora Lab #2's portfolio of products includes over 30 registered brands that position Flora Growth and its brands with the Colombian consumer. Currently, Flora Lab #2 has obtained over 40 licenses for its various products.

In addition, Flora Lab #4 intends to develop a new area at its current laboratory, or a new laboratory, if purchased, for drug compounding to obtain a GMP cannabis certification. This certification stands for sterile compounded drugs and non-sterile compounded drugs (topical, oral, among others). Flora Lab would be one of the first companies in Colombia with a GMP cannabis certification to prepare cannabis compounded drugs. This GMP cannabis certification would allow Flora Lab to develop and commercialize cannabis medicines in different pharmaceutical forms, such as drops, ointments, capsules, and suppositories. These products are already in development and distribution would begin upon Flora Growth receiving GMP cannabis certification.

Sanitary Registers for our Food and Beverages Products

Mambe holds four sanitary registers of INVIMA for the production and export of its juices and botanicals, permitting eighteen recipes of juices and three natural erotic oils for distribution.

Our Intellectual Property Portfolio

We rely on a combination of trademark, patent, copyright and trade secret protection laws in Colombia, the United States and other jurisdictions to protect our intellectual property and our brands. We have applied for, and we have received approvals from INVIMA and other regulatory agencies in Colombia, for our beauty and skincare, pharmaceutical, loungewear, and food and beverage products. Please see "*General Development of Flora Growth's Business – Regulation of Our Industry*" of this Appendix "F" for more information.

As of December 31, 2021, we had an aggregate of 118 approvals and registrations for our various products and such registrations have expiration dates ranging from June 2022 to July 2031, with options to renew upon expiration. We do not anticipate any difficulty renewing these registrations to the extent we choose to do so.

Regulation of Our Industry

Regulatory Framework in the United States

Packaging, Labeling and Advertising

The processing, formulation, manufacturing, packaging, labeling, advertising and distribution of our products are subject to federal laws and regulation by one or more federal agencies, including the FDA, the Federal Trade Commission, the U.S. Department of Health and Human Services, the USDA and the U.S. Environmental Protection Agency. These activities are also regulated by various state, local and international laws and agencies of the states and localities in which our products are sold. Regulations may prevent or delay the introduction, or require the reformulation, of our products, which could result in lost sales and increased costs to Flora Growth. A regulatory agency may not accept the evidence of safety for any new ingredients that we may want to market, or may determine that a particular product or product ingredient presents an unacceptable health risk. Regulatory agencies may also determine that a particular statement of nutritional support on our products, or a statement that we want to use on our products, is an unacceptable drug claim or an unauthorized version of a food "health claim," or that particular claims are not adequately supported by available scientific evidence. Any such regulatory determination could prevent us from marketing particular products or using certain statements on those products, which could adversely affect our sales and results of operations.

Developments in the laws and regulations governing our products may result in a more stringent regulatory landscape, which could require reformulation of certain products to meet new standards, recalls or discontinuance of certain products that we are unable to reformulate, additional record-keeping requirements, increased documentation of the properties of certain products, additional or different labeling requirements, additional scientific substantiation requirements, and other requirements or restrictions. Such developments could increase our costs significantly, which could have a material adverse effect on our business, financial condition and results of operations.

Cannabis for Medical Purposes

The United States healthcare industry is heavily regulated and closely scrutinized by federal, state and local governments. Comprehensive statutes and regulations govern the manner in which we will provide and bill for telehealth services, our contractual relationships with our providers, vendors and clients, our marketing activities, and other aspects of our planned operations. Of particular importance are:

- The federal physician self-referral law, commonly known as the Stark Law, that generally prohibits physicians from referring Medicare or Medicaid patients to an entity for the provision of certain "designated health services" if the physician or a member of such physician's immediate family has a direct or indirect financial relationship (including an ownership interest or a compensation arrangement) with the entity, and prohibit the entity from billing Medicare or Medicaid for such designated health services.

- The federal Anti-Kickback Statute that prohibits the knowing and willful offer, payment, solicitation or receipt of any bribe, kickback, rebate or other remuneration for referring an individual, in return for ordering, leasing, purchasing or recommending or arranging for, or to induce the referral of an individual or the ordering, purchasing or leasing of items or services covered, in whole or in part, by any federal healthcare program, such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act.

- The criminal healthcare fraud provisions of HIPAA and related rules which prohibit knowingly and willfully executing a scheme or artifice to defraud any healthcare benefit program or falsifying, concealing or covering up a material fact or making any material false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation.

- The federal False Claims Act, which imposes civil and criminal liability on individuals or entities that knowingly submit false or fraudulent claims for payment to the government or knowingly make, or cause to be made, a false statement in order to have a false claim paid, including *qui tam* or whistleblower suits.

- Reassignment of payment rules which prohibit certain types of billing and collection practices in connection with claims payable by the Medicare or Medicaid programs.

- Similar state law provisions pertaining to anti-kickback, self-referral and false claims issues.

- State laws that prohibit general business corporations, such as us, from practicing medicine, controlling physicians' medical decisions, or engaging in certain practices such as splitting fees with physicians.

- Laws that regulate debt collection practices as applied to our debt collection practices.

- Certain provisions of the Social Security Act that impose criminal penalties on healthcare providers who fail to disclose, or refund known overpayments.

- Federal and state laws that prohibit providers from billing and receiving payment from Medicare and Medicaid for services unless the services are medically necessary, adequately and accurately documented, and billed using codes that accurately reflect the type and level of services rendered.

- Federal and state laws and policies that require healthcare providers to maintain licensure, certification or accreditation to enroll and participate in the Medicare and Medicaid programs, and to report certain changes in their operations to the agencies that administer these programs.

Failure to comply with these laws and other laws can result in civil and criminal penalties such as fines, damages, overpayment, recoupment, imprisonment, loss of enrollment status and exclusion from the Medicare and Medicaid programs. The risk of our being found in violation of these laws and regulations is increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and their provisions are sometimes open to a variety of interpretations. Our failure to accurately anticipate the application of these laws and regulations to our business or any other failure to comply with applicable regulatory requirements could impose liability on us and negatively affect our business. Any action against us for violation of these laws or regulations could cause us to incur significant legal expenses, divert our management's attention from business operations, and result in adverse publicity.

The laws, regulations and standards governing the provision of healthcare services may change significantly in the future. We cannot assure you that any new or changed healthcare laws, regulations or standards will not materially adversely affect our planned telehealth services business.

Regulatory Framework in Colombia

Our cultivation operations are in Colombia and are carried out through Cosechemos. As a cultivator of non-psychoactive, psychoactive cannabis and manufacturer of cannabis derivatives, Flora Growth is substantially dependent on the licenses for cultivation, production and other regulatory activities granted to Cosechemos.

Over the past 50 years, Colombia has developed comprehensive regulation that took a hardline approach to narcotics and trafficking in response to the growing influence of international treaties and the efforts of governments to coordinate their drug policies. In the mid-1990s, Colombia decriminalized the personal possession and consumption of cannabis under Constitutional Court Ruling C-221 of 1994. While this represented a shift in approach by Colombian lawmakers, a constitutional amendment through Legislative Act 02 of 2009 reversed the effects of Ruling C-221 of 1994 and reinstated the prohibition on personal possession and consumption of narcotic or psychotropic substances, even on a personal dose basis, unless supported by a medical prescription.

Despite the constitutional amendment in 2009, Colombian cannabis legislation trended towards a preventative and rehabilitative approach. The Constitutional Court of Colombia, through rulings SU-642 of 1998 and C-336 of 2008,

among others, established that the right to the free development of personality, also known as the right to autonomy and personal identity, grants individuals the right to self-determination, the freedom and independence to govern his/her own existence and determine a lifestyle according to his/her own interests; provided, that the rights of others and the constitutional order are respected.

In January 2013, the Drug Policy Commission was established to provide recommendations on how legislation should treat criminal networks and citizen drug users, as well as the quantities to be considered as suitable personal amounts. In July 2014, the Drug Policy Commission issued an initial report submitted to the Ministry of Justice analyzing the conditions of drug use in Colombia and proposing guidelines to update the policy.

In May 2015, the Drug Policy Commission published its final report, which proposed a review of the drug policy in the country and made important recommendations, such as: (i) the creation of an agency for drug policy; (ii) measures to help reduce the risk to consumers; (iii) to rethink the fumigation involved with cultivation; (iv) regulation of medicinal cannabis; (v) alternative means of measuring the success of policies against drugs; (vi) modernize the National Statute on Drugs and Psychoactive Substances; and (vii) to lead the global drug policy debate.

As a result of the final report of the Drug Policy Commission, the Colombian President approved and sanctioned Law 1787 of 2016 to regulate the use of cannabis for therapeutic purposes. The law marked a new direction in the legislative approach to drugs. Law 1787 amended articles 375, 376 and 377 of the Penal Code to eliminate penalties against the medical and scientific use of cannabis used under a license granted by the competent authorities. This amendment was necessary since the Penal Code expressly provided for a general prohibition on the cultivation, conservation or financing of marijuana plantations among other related activities.

The following table summarizes the regulations applicable to the cultivation, manufacture, import, export and use of cannabis in Colombia.

Regulation:	**Regulates:**
Law 1787 of 2016	Legalizes the use of Cannabis for medical and scientific purposes.
Decree 613 of 2017 modifies Decree 780 of 2016	Regulates law 1787 establishing a licensing system and process, defines psychoactive and non-psychoactive cannabis and the quota system for psychoactive cannabis in accordance with Single Convention of Narcotics of 1961 and amendments.
Decree 811 of 2021	Regulates law 1787 and replaces Decree 613 of 2017, modifying the licensing process, adding additional requirements to license applications for psychoactive, non-psychoactive cannabis and use of seeds planting of grain.
Resolution 227 of 2022 of the Ministries of Justice, Health, Agriculture and Commerce	Regulates Decree 811 of 2021 that replaces Title 11 of Part 8 of Part 8 of Book 2 of Decree 780 of 2016, in relation to licenses, quotas and authorizations for safe and informed access to the use of cannabis and the cannabis plant, its derivatives and products, and establishes other provisions.
Resolution 539 of 2022 of the Ministries of Justice, Health and Agriculture	Regulates law 1787 and replaces Decree 613 of 2017, modifying the licensing process, adding additional requirements to license applications for psychoactive, non-psychoactive cannabis and use of seeds planting of grain.
Resolution 577 of 2017 from the Ministry of Justice	Regulates the evaluation and control of the following licenses: a. Seed Use b. Cultivation of psychoactive plants (High-THC cultivation license) c. Cultivation of non-psychoactive plants (Low-THC cultivation license) Creates requirement for security protocol.
Resolution 578 of 2017 from the Ministry of Justice	Regulates the cost of the following licenses: a. Seed Use

	b. Cultivation of psychoactive plants (High-THC cultivation license) c. Cultivation of non-psychoactive plants (Low-THC cultivation license)
Resolution 579 of 2017 from the Ministry of Justice	Establishes that growers that cultivate on a half a hectare area (5,000 square meters) or less are considered small and medium growers and, therefore, may access technical advice, priority allocation of quotas and purchase of their production by the processor and requires that 10 percent of the total production of the processor must come from a small and medium producers.
Resolution 2892 of 2017 from the Ministry of Health	Regulates the evaluation and control of the Fabrication of Cannabis derivatives (High-THC Production License). Provides guidelines for appropriate security protocols for manufacturing cannabis derivatives including physical security, monitoring, detection, and incident reporting to authorities.
Resolution 2891 of 2017 from the Ministry of Health	Regulates the cost of the High-THC production licence.
Resolution 1478 of 2006 from the Ministry of Health modified by Resolution 315 of 2020.	Regulation of the control, monitoring and surveillance of the import, export, processing, synthesis, manufacture, distribution, dispensing, purchase, sale, destruction and use of controlled substances, medicines or products containing them and on those which are State Monopoly.
Decree 2200 of 2005 from the Ministry of Health	Regulates pharmaceutical services including the Magistral Preparations.
Guidelines for the Good Elaboration Practices certification for Magistral Preparations with Cannabis issued October 25, 2019 by INVIMA	Establishes the requirements for labs to obtain the Good Elaboration Practices certification for the fabrication of Magistral Preparations with Cannabis derivatives.

Licenses

The Ministries of Health, Justice and Agriculture issued Decree 613 of 2017 to define the licenses that can be granted with respect to permitted activities related to medical cannabis that include: (i) the production of cannabis derivatives; (ii) use of seeds for sowing; (iii) the planting of psychoactive cannabis plants; and (iv) plant non-psychoactive cannabis plants.

Apart from a psychoactive cannabis license, Cosechemos has obtained licenses in each of the above categories, necessary to carry out its operations. Licenses are not transferable, interchangeable or assignable and are valid for five years and may be renewed for additional periods of five years upon request. Each of Coschemos' licenses is up-to-date and has not expired. None of Cosechemos' licenses is subject to current, pending or committed regulatory action.

Magistral Preparations

We intend to produce a category of products known as cannabis extemporaneous (magistral) preparation, previously regulated by Decree 613 of 2017 and now by Decree 811 of 2021 and Decree 2200 of 2005. Extemporaneous (magistral) preparations are personalized prescription products that do not require a sanitary license for the product but rather for the establishment that produces the product. As they are not mass market products, but exclusively for a patient, these must be prepared by a licensee in an establishment that complies with the standards of GMP. For the sale and distribution of these medicines in Colombia, it is necessary to comply with the Guidelines for GMP certification for extemporaneous (magistral) preparations with Cannabis issued on October 25, 2019 by INVIMA. We are required to operate, or have an agreement with, a laboratory that is certified according to GMP for extemporaneous (magistral) preparations with cannabis.

Strains registration

Cosechemos has varieties of cannabis in various stages of the registration process. Each strain, whether high or low in THC, must undergo an agronomic evaluation by the ICA. In order for strains to be included in the National Cultivar Registry, the following steps must be completed: (i) Genetic Stabilization; (ii) Agronomic Test; (iii) Phase 1 strain registry (legal document that allows the license to enter a strain in the registry); and (iv) Strain registration phase 2 (registration that allows the licensee to market any cannabis product derived from the specific strain in the registry). The harvest is also in the process of agronomic evaluation of additional strains. Based on the yields of each strain, as determined by agronomic testing, "COSECHEMOS YA" may decide to register fewer strains than available. The decision to complete the registration process of a strain will depend on several factors, from biomass yields, cannabinoid profile, average cannabinoid content, resistance to pests among others as determined by agronomic tests, and the intended uses by the company.

Cosmetic Regulations

Flora Growth's business also includes the manufacture and marketing of cosmetics, including some with CBD in Colombia. Cosmetic products in Colombia are regulated by regulations issued by the Andean Community of Nations.

The relevant regulations in health regulatory matters for Cosmetic Products are the following:

- Decision 516 of 2002 of the Andean Community of Nations establishes a sanitary regulation for the manufacture and commercialization of Cosmetic Products in the countries of the Andean Community (Bolivia, Colombia, Ecuador and Peru).

- Decree 219 of 1998, which regulates the quality and control of Cosmetic Products.

- Law 9 of 1979, which establishes the general framework for health surveillance and control.

In Colombia, cosmetics must undergo a registration process called Mandatory Sanitary Notification, which is supervised by INVIMA, prior to marketing. Applicable regulations establish requirements related to labeling, manufacturing facilities, and product composition. The general Colombian regulatory framework on specific cannabis issues limits the manufacture of products with cannabis derivatives with a maximum of 1% THC (psychoactive component) but that the product must demonstrate and comply with the respective international regulations with contents below 0.3% or 0.2% THC.

Ingredients in the list of accepted ingredients of the Personal Care Products Council in the United States, Cosmetic ingredient database, cosIng in the European Commission database for information on cosmetic substances and cosmetic products marketed in the Andean Subregion must comply with the international lists of ingredients below that may or may not be incorporated into cosmetic products and their corresponding functions and restrictions or conditions of use.

- The lists and provisions issued by the FDA;

- The Personal Care Products Council's cosmetic ingredient listings;

- European Union directives or regulations governing cosmetic ingredients; and

- Cosmetic Ingredient Listings Europe – The Personal Care Association. As long as the governmental entities that are in charge of the regulation, surveillance and sanitary control of cosmetic products, according to the national legislation of each member country of the Andean Subregion, namely Bolivia, Colombia, Ecuador and Peru do not take a decision under Article 5 of Andean Decision 833 of 2018, member countries shall use the least restrictive list and the ingredients contained in the European cosmetic (cosIng) are permitted in cosmetic products, including the following cannabis ingredients: cannabis sativa flower extract, cannabis sativa flower/leaf/stem extract, sativa cannabis seed extract, cannabis sativa glycer glycertic seed oil-8,

sativa-8 cannabis seed esters, cannabis sativa seedcake, cannabis sativa seed powder, cannabis sativa stem powder, hydrolyzed sativa cannabis seed extract, hydrolyzed hemp seed and cannabidiol extract.

Employees

As of November 7, 2022, we had a total of 212 full time employees in Colombia, a total of 110 full time employees/consultants in North America and a total of seven employees/consultants in the United Kingdom. None of our employees or consultants are represented by labor unions.

Three-Year History

Flora Growth was incorporated on March 13, 2019, and its primary focus has since been to develop a diverse collection of brands, services and divisions to address the different expressions of cannabis and plant-based derivatives more broadly. Flora Growth is building robust wholesale and distributions channels, a suite of consumer goods brands and research and laboratory divisions to support institutional and individual consumers. The following is a summary of Flora Growth's development over the three most recently completed financial years.

2020

In June 2020, we launched our inaugural lifestyle brand, Stardog, a consumer-facing apparel brand that designs and markets loungewear made from hemp-derived fabric and materials.

On August 14, 2019, Flora Growth applied to the Ministry of Health for its cannabis manufacturing license. This cannabis manufacturing license was granted as of November 9, 2020.

In December 2020, we opened our first brick and mortar retail store to sell our products in Bogotá, Colombia at the Parque la Colinas shopping center.

On December 18, 2020, we signed the Cronomed Purchase Agreement with certain shareholders of Cronomed to purchase 100% of Cronomed for consideration of US$992,000.

On December 29, 2020, we signed the Kasa Purchase Agreement with certain shareholders of Kasa to purchase 90% of Kasa for consideration of: (i) US$148,300 in cash; and (ii) the discharge of US$87,300 in liabilities of the Kasa shareholders.

On December 29, 2020, we signed the Breeze Share Purchase Agreement with certain shareholders of Breeze to purchase 90% of Breeze for consideration of: (i) US$147,300 in cash; and (ii) the discharge of US$58,900 in liabilities of the Breeze shareholders.

On December 29, 2020, we were assigned: (i) a 10% membership interest in Flora Beauty (5% of which was owned by Luis Merchan, our current Chairman and Chief Executive Officer); (ii) a 10% membership interest in Hemp Textiles which was owned by Mr. Merchan; and (iii) a 20% membership interest in Hemp Textiles SAS (5% of which was owned by Mr. Merchan). As consideration for the assignment of such membership interests, we issued an aggregate of 148,333 Flora Shares to the selling shareholders (other than Mr. Merchan) and paid US$300 to Mr. Merchan.

2021

On January 12, 2021, Flora Growth acquired certain assets from Quipropharma in exchange for US$350,000. The assets included a Colombian-based laboratory that holds GMP certifications and can produce CBD-containing products. Flora Growth also purchased certain real estate assets for total consideration of US$1,143,000.

Flora Growth obtained the Psychoactive Cannabis License on March 10, 2021 and received an updated export permit of 43,612.6 kilograms on March 11, 2022 for the calendar year 2022.

On August 24, 2021, we closed our €2 million investment in Hoshi while also increasing our fully-diluted investment in Hoshi through a securities swap with Hoshi. In connection with the securities swap, we received 2,000,000 warrants to acquire up to 2,000,000 common shares of Hoshi in exchange for 225,000 privately issued Flora Shares.

On November 9, 2021, we entered into the TL Licensing Agreement for the manufacturing, promotion and distribution of Tonino Lamborghini branded beverages using CBD in North America and Colombia.

On November 12, 2021, pursuant to the VBI Merger Agreement between Flora Growth, our wholly-owned subsidiary and certain related third parties, we acquired 100% of the capital stock of VBI for consideration consisting of US$8.0 million in cash and 4,557,318 privately issued Flora Shares. Operating under "Vessel" as its flagship brand, VBI is a developer and retailer of high-end cannabis consumer technology and accessories. Headquartered in Carlsbad, California, VBI distributes its products throughout the United States, Canada and internationally.

On November 26, 2021 we entered into a definitive agreement with Canada-based Avaria to form FloVaria, a joint venture company equally owned by Flora Growth and Avaria.

In December 2021, we opened our first U.S.-based retail location in the Wynwood district of Miami, Florida.

2022

In January 2022, we completed the acquisition of the remaining 10% in Breeze for consideration of 30,282 Flora Shares. We now own 100% of Breeze which is referred to herein as Flora Lab #4.

In January 2022, we completed the acquisition of the remaining 10% in Flora Beauty that we did not own from an unaffiliated third party for 100,000 Flora Shares and Flora Options exercisable for up to 50,000 Flora Shares at an exercise price of US$1.70 per Flora Share. Said Flora Options expire five years from the date of the grant.

On February 24, 2022, our wholly-owned subsidiary Flora Growth U.S. Holdings Corp. completed the acquisition of 100% of the outstanding equity interests in each of JBL and HRPL. JBL is based in Fort Lauderdale, Florida and is a leading distributor and retailer of CBD derived products through its widely recognized "JustCBD" brand, with HRPL manufacturing several of the leading products sold by JBL. As consideration for the acquisition, we delivered US$16.0 million in cash and 9,500,000 of our privately issued Flora Shares. Please see "*General Development of Flora Growth's Business – House of Brands*" of this Appendix "F" for more information on the JustCBD brand and "*General Development of Flora Growth's Business – Material Contracts*" for more information on the terms of the acquisition.

On August 2, 2022, Flora Growth announced a joint venture agreement with Manasr (the "**Manasr Agreement**"), the largest indigenous tribe in Colombia, on the development of cultivation best practices, manufacturing, export and marketing of cannabis and cannabis containing products. Under the Manasr Agreement, Flora Growth will provide Manasr regulatory advise, technical and business support related to product development and distribution, promotion of products to be marketed under the Flora Growth brand portfolio and cannabis derivatives when needed to completion product production. Additionally, Manasr will work closely with Flora Growth in developing cannabis pharmaceuticals and products and help advance the approvals and authorizations required for export of cannabis for Colombia.

DIVIDENDS OR DISTRIBUTIONS

Flora Growth has never declared or paid cash dividends on the Flora Shares. Flora Growth does not currently have any plans to pay cash dividends. Rather, Flora Growth currently intends to retain all of its available funds and any future earnings to operate and grow its business.

The Flora Board will determine if and when dividends should be declared and paid in the future based on Flora Growth's financial position at the relevant time. Unless Flora Growth commences the payment of dividends, holders of Flora Shares will not be able to receive a return on their Flora Shares unless they sell them.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

The following discussion of Flora Growth should be read in conjunction with Flora Growth's 2021 Financial Statements included in the Annual Report, which were prepared in accordance with IFRS as well as the 2022 Interim Financial Statements. Amounts are expressed in USD unless otherwise stated. Amounts stated in foreign currencies include approximate USD amounts based on exchange rates on June 30, 2022. Variance, ratio, and percentage changes in the following discussion are based on unrounded numbers.

The following discussion reports Flora Growth's activities through June 30, 2022, unless otherwise indicated.

The following discussion contains certain non-IFRS and other specified financial measures as defined under applicable securities legislation, including Adjusted EBITDA. Please see the "Adjusted EBITDA" section below for a definition and reconciliation of Adjusted EBITDA. In determining these measures, Flora Growth excludes certain items which are otherwise included in determining the comparable IFRS financial measures. Flora Growth believes such non - IFRS and other specified financial measures are key performance indicators that improve the period-to-period comparability of Flora Growth's results and provide investors with more insight into, and an additional tool to understand and assess, the performance of Flora Growth 's ongoing core business operations. Where required by applicable securities legislation, Flora Growth has provided definitions of those measures and reconciliations of those measures to the most directly comparable IFRS financial measures. Investors and other readers are encouraged to review the related IFRS financial measures and the reconciliation of non-IFRS and other specified financial measures to their most directly comparable IFRS financial measures set forth below in the section entitled "Adjusted EBITDA" and should consider non-IFRS and other specified financial measures as a supplement to, and not as a substitute for or as a superior measure to, measures of financial performance prepared in accordance with IFRS.

Forward-looking statements are based on Flora Growth's current expectations and assumptions regarding its business, potential target businesses, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. Flora Growth's actual results may differ materially from those contemplated by the forward-looking statements as a result of various factors, including, without limitation, changes in local, regional, national or global political, economic, business, competitive, market (supply and demand) and regulatory conditions. Please see "*Statements Regarding Forward-Looking Information*" of the Circular for more information regarding forward-looking statements.

Flora Growth has a very limited operating history upon which to base an evaluation of its business and prospects. Flora Growth's short operating history may hinder its ability to successfully meet its objectives and makes it difficult for potential investors to evaluate its business or prospective operations.

A. Operating Results Overview

Overview

We are a manufacturer of global cannabis products and brands, building a connected, design-led collective of plant-based wellness and lifestyle brands. The foundation of our business strategy is built on three core pillars: commercial/wholesale, house of brands, and life sciences.

Results of Operations

The following table sets forth key components of Flora Growth's results of operations for the six-month period ended June 30, 2022, as compared to the six-month period ended June 30, 2021.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(In thousands of United States dollars, except per share amounts which are in thousands of shares)	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Revenue	14,917	2,118
Cost of sales	8,415	1,106
Gross profit before fair value adjustments	6,502	1,012
Unrealized gain on changes in fair value of biological assets	46	-
Realized fair value amounts included in inventory sold	(2)	-
Gross Profit	6,546	1,012
Gross Profit %	43.9%	47.8%
Operating Expenses		
Consulting and management fees	5,243	2,262
Professional fees	2,096	766
General and administrative	2,429	1,481
Promotion and communication	4,719	1,180
Travel expenses	601	143
Share based compensation	2,855	95
Research and development	422	85
Depreciation and amortization	1,712	119
Bad debt expense	405	100
Goodwill impairment	16,000	-
Other expenses (income), net	1,178	(67)
Total operating expenses	37,660	6,164
Operating Loss	(31,114)	(5,152)
Interest expense	69	64
Foreign exchange loss (gain)	200	(78)
Unrealized loss on fair value of investments	1,333	-
Net loss before income taxes	(32,716)	(5,138)
Income tax benefit	-	-
Net loss for the period	(32,716)	(5,138)
Other comprehensive loss		
Exchange differences on foreign operations	567	200
Total comprehensive loss for the period	(33,283)	(5,338)
Net loss attributable to:		
Flora Growth Corp.	(32,611)	(5,097)
Non-controlling interests	(105)	(41)
Comprehensive loss attributable to:		
Flora Growth Corp.	(33,178)	(5,297)
Non-controlling interests	(105)	(41)
Basic and diluted loss per share attributable to Flora Growth Corp.	(0.42)	(0.13)
Weighted average number of common shares outstanding - basic and diluted	76,944	39,604

For the six months ended June 30, 2022, compared to the six months ended June 30, 2021.

For the six months ended June 30, 2022, Flora Growth reported a net loss of US$32.7 million, or US$0.42 per share, compared to a net loss of US$5.1 million, or US$0.13 per share, for the six months ended June 30, 2021. Net loss increased from 2021 to 2022 primarily due to a US$16.0 million impairment charge on the goodwill of Vessel, increased staffing to support expanded and future operations, increased share-based compensation due to option grants in late 2021, and a US$1.3 million unrealized loss on the fair value of Flora Growth's long-term investment in an early-stage European cannabis company. The net loss was partially offset by an increase in gross profit due to higher volume of sales driven by the acquisitions of JustCBD in February 2022 and Vessel in November 2021.

Flora Growth had working capital of US$18.6 million on June 30, 2022, compared to working capital of US$41.8 million on December 31, 2021. The decrease is primarily due to US$15.5 million of net cash paid for the acquisition of JustCBD in February 2022 and US$10.5 million used in operating activities for the six months ended June 30, 2022.

Flora Growth will continue to utilize proceeds from prior financing and equity issuances as well as the revenue generated from our other business segments following its recent acquisitions and diversification to fund its operations until it reaches profitability.

Revenues

Flora Growth reported US$14.9 million and US$2.1 million in revenues for the six months ended June 30, 2022 and June 30, 2021, respectively. Revenues generated for the six months ended June 30, 2022, and June 30, 2021, by the consumer products segment were US$13.6 million and US$0.3 million, respectively. The increase was driven by the acquisition of JustCBD in February 2022 and Vessel in November 2021. Revenues generated for the six months ended June 30, 2022, and June 30, 2021, by the pharmaceuticals and nutraceuticals division were US$3.7 million and US$1.6 million, respectively. Revenues generated for the six months ended June 30, 2022, by the food and beverage segment of US$0.3 million were flat compared to the six months ended June 30, 2021. To date, Flora Growth has generated minimal revenues from its cannabis growth segment as Flora Growth has completed minimal harvests in 2022 and continues to build out its operations for further processing and ultimate sale.

Cost of sales and gross profit

Flora Growth's cost of sales were US$8.4 million for the six-month period ended June 30, 2022 compared to US$1.1 million for the six-month period ended June 30, 2021. The increase is due to the increase in sales volume in 2022 compared to 2021 which was due to the acquisition of JustCBD in February 2022 and Vessel in November 2021. Included in the costs of sales in the consumer products segment for the six months ended June 30, 2022 was US$1.6 million related to the markup to fair market value of inventory acquired with JustCBD. Flora Growth also reported less than US$0.1 million in unrealized gains on changes in the fair value of biological assets and realized fair value amounts included in inventory sold in its cannabis growth and derivative production segment relating to Flora Growth's commercial cannabis harvests in the first half of 2022.

Flora Growth reported gross profit of US$6.5 million and US$1.0 million for the six-month periods ended June 30, 2022, and June 30, 2021, respectively. Gross profit reported for the six months ended June 30, 2022, and June 30, 2021, by the consumer products segment was US$4.3 million and US$0.2 million, respectively. The increase primarily related to the acquisition of JustCBD (US$3.2 million) in February 2022 and Vessel (US$1.0 million) in November 2021, partially offset by the US$1.6 million charge related to the markup to fair market value of inventory acquired with JustCBD recorded in cost of sales. Gross profit reported for the six months ended June 30, 2022 and June 30, 2021, by the pharmaceuticals and nutraceuticals segment was US$2.1 million and US$0.8 million, respectively. The increase was due to the acquisition of JustCBD (US$1.2 million) in February 2022. Gross profit reported for both the six months ended June 30, 2022 and June 30, 2021, by the food and beverage segment was US$0.1 million. The cannabis growth and derivative production segment reported a gross profit of less than US$0.1 million and US$0.0 for the six months ended June 30, 2022, and June 30, 2021, respectively, as it completed its first commercial harvests in late 2021 and early 2022 and has generated minimal revenue.

Consulting and Management Fees

Flora Growth recorded consulting and management fees of US$5.2 million and US$2.3 million for the six-month periods ended June 30, 2022, and June 30, 2021, respectively. These fees are related to consulting contracts with most of Flora Growth's management, as well as directors, related parties and bonuses. The increase in 2022 primarily relates to increased staffing to support expanded and future operations.

Professional Fees

Flora Growth recorded professional fees of US$2.1 million and US$0.8 million for the six-month periods ended June 30, 2022, and June 30, 2021, respectively. The increase in 2022 is primarily due to US$0.5 million legal and

accounting fees related to the acquisition of JustCBD. Please see "*Legal Proceedings and Regulatory Actions – Legal Proceedings*" of this Appendix "F" for more information.

General and Administrative Expenses

Flora Growth recorded general and administrative expenses of US$2.4 million and US$1.5 million for the six-month periods ended June 30, 2022, and June 30, 2021, respectively. The increase in 2022 is primarily due the acquisition of JustCBD (US$0.9 million) in February 2022 and Vessel (US$0.1 million) in November 2021.

Promotion and Communication Expenses

Flora Growth recorded promotion and communication expenses of US$4.7 million and US$1.2 million for the six-month periods ended June 30, 2022, and June 30, 2021, respectively. The increase in 2022 is primarily due to promotional activities related to Flora Growth's JustCBD and Vessel businesses, as well as costs incurred to support the expected launch of new brands in the second half of 2022, and costs associated with Flora Growth building its marketing strategy.

Travel Expenses

Flora Growth recorded travel expenses of US$0.6 million and US$0.1 million for the six-month periods ended June 30, 2022, and June 30, 2021, respectively. These expenses were for various trips related to the subsidiaries and Flora Growth's promotion.

Share Based Compensation Expenses

Flora Growth recorded share-based compensation expenses of US$2.9 million and US$0.1 million for the six-month periods ended June 30, 2022, and June 30, 2021, respectively. These expenses represent the amortization of the fair value of share-based payments. The increase in 2022 is primarily due to the stock options granted late in 2021 and early in 2022 having a one-year vesting period that the expense is recognized over, compared to minimal grants in early 2021.

Research and Development Expenses

Flora Growth research and development expenses were US$0.4 million and US$0.1 million for the six-month periods ended June 30, 2022, and June 30, 2021. Research and development expenses to date consist primarily of contract research fees, manufacturing, consultant fees, and study related costs related to cultivation of cannabis in Colombia for the Cosechemos business, as well as costs related to the launch of new brands for the Vessel business.

Goodwill

As a result of external indicators of impairment primarily due to a 2022 decline in comparable public company share prices which would negatively impact the implied valuation of Vessel, Flora Growth tested the Vessel cash-generating units non-financial assets for impairment as at June 30, 2022. This test resulted in an impairment of US$16.0 million as the carrying value of the Vessel cash-generating units' assets exceeded the recoverable amount.

Bad Debt and Other

Flora Growth recorded bad debt expense of US$0.4 million for the six-month period ended June 30, 2022, compared to US$0.1 million in the six-months ended June 30, 2021, to reflect Flora Growth's estimate of lifetime expected losses related to outstanding trade receivables.

Flora Growth recorded other expenses (income), net of US$1.2 million and (US$0.1) million for the six-month periods ended June 30, 2022, and June 30, 2021, respectively. These expenses consist mainly of insurance, repairs and maintenance, rent and royalties partially offset by miscellaneous incomes. The increase in 2022 is due to the acquisition of JustCBD in February 2022 and Vessel in November 2021, as well as increased costs to support the overall increased operations of Flora Growth.

Unrealized (Gain) Loss on Fair Value of Investments

Flora Growth's 2021 investment in its European cannabis investee decreased approximately US$1.3 million during the first six months of 2022 compared to having no such investments in the first six months of 2021. The decrease is due to decreases in observed marketplace valuation metrics affecting cannabis related companies during the first half of 2022.

Net Loss

Flora Growth recorded net loss of US$32.7 million and US$5.1 million for the six-month periods ended June 30, 2022, and June 30, 2021, respectively. The increase in loss was driven by the recording of goodwill impairment (US$16.0 million) and amortization of the fair market value market of inventory acquired (US$1.6 million), both within the consumer products segment. Flora Growth also recorded more promotion (+US$3.5 million) and stock-based compensation expenses (+US$2.8 million), as well as a US$1.3 million loss on investment in its European cannabis investee for the six-months ended June 30, 2022, compared to June 30, 2021.

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Flora Growth calculates Adjusted EBITDA as total net loss, plus (minus) income taxes (recovery), plus (minus) interest expense (income), plus depreciation and amortization, plus (minus) non-operating expense (income), plus share based compensation, plus impairment charges, plus (minus) fair value adjustments on investments, plus charges related to the flow-through of inventory step-up on business combinations, plus other acquisition and transaction costs, plus (minus) non-cash fair value adjustments on the sale of inventory and biological assets. Management believes that Adjusted EBTIDA provides meaningful and useful financial information as this measure demonstrates the operating performance of the business.

Adjusted EBITDA margin % is a non-IFRS financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Flora Growth calculates adjusted EBITDA margin % as adjusted EBITDA, as described above, divided by revenue for the period.

The reconciliation of Flora Growth's Adjusted EBITDA, a non-IFRS financial measure, to net loss, the most directly comparable IFRS financial measure, for the six months ended June 30, 2022, and June 30, 2021 is presented in the table below:

(in thousands of United States dollars)	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Net loss for the period	**(32,716)**	**(5,138)**
Income tax expense (benefit)	-	-
Interest expense	69	65
Depreciation and amortization	1,712	119
Non-operating expense (1)	200	(78)
Share based compensation	3,044	95
Impairments (2)	16,000	-
Unrealized loss on fair value of investments	1,333	-
Charges related to the flow-through of inventory step-up on business combinations	1,631	-
Other acquisition and transaction costs	559	-
Non-cash fair value adjustments on the sale of inventory and biological assets	(44)	-
Adjusted EBITDA	**(8,212)**	**(4,937)**
Adjusted EBITDA Margin %	*-55.1%*	*-233.1%*

Notes:

1. Non-operating expense includes foreign exchange gain (loss).
2. Impairments include goodwill impairment.

B. Liquidity and Capital Resources

The following table sets forth the major components of Flora Growth's interim condensed consolidated statements of cash flows for the periods presented.

(in thousands of United States dollars)	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Cash from operating activities	(10,483)	(5,770)
Cash from financing activities	(516)	14,419
Cash from investing activities	(16,179)	(5,171)
Effect of exchange rate change	(168)	(195)
Change in cash during the period	(27,346)	3,283
Cash, beginning of period	37,614	15,523
Cash, end of period	10,268	18,806

Cash from Operating Activities

Net cash used in operating activities for the six-months ended June 30, 2022 and June 30, 2021, totaled US$10.5 million and US$5.8 million, respectively. Cash flows used in operating activities for the six-months ended June 30, 2022 were due primarily to cash based operating expenses exceeding gross profit for the period.

Cash flows used in operating activities for the six-months ended June 30, 2021 were due primarily to cash based operating expenses exceeding gross profit for the period and a net increase in working capital requirements.

Cash from Financing Activities

Net cash (used) provided in financing activities for the six-months ended June 30, 2022 and June 30, 2021, totaled (US$0.5 million) and US$14.4 million, respectively. Cash flows used in financing activities for the six-months ended June 30, 2022 were primarily for scheduled payments for Flora Growth's leases and for a common share repurchase agreement, partially offset by proceeds received from warrant and stock option exercises.

Cash flows provided in financing activities for the six-months ended June 30, 2021 were due primarily to Flora Growth's Regulation A Offering and IPO, partially offset by equity issuance costs and required loan repayments.

Cash from Investing Activities

Net cash used in investing activities for the six-months ended June 30, 2022 and June 30, 2021, totaled US$16.2 million and US$5.2 million, respectively. Cash flows used in investing activities for the six-months ended June 30, 2022 were due primarily to the acquisition of JustCBD in February 2022 and capital expenditures primarily to construct the Cosechemos cannabis cultivation buildings and productions in Colombia.

Cash flows used in investing activities for the six-months ended June 30, 2021 were due primarily to payments for business and asset acquisitions for Flora Growth's Colombia operations and the purchases of property, plant and equipment to support Cosechemos and other operations.

Working Capital

As of June 30, 2022, Flora Growth had working capital of US$18.6 million. Flora Growth's primary cash flow needs are for the development of its cannabis activities, administrative expenses and for general working capital to support growing sales and production with related receivables and payables.

Capital Expenditures

Flora Growth does not have any contractual obligations for ongoing capital expenditures at this time.

Off-Balance Sheet Arrangements

Flora Growth did not have, during the periods presented, and it does not currently have, any off-balance sheet arrangements.

Contractual Obligations, Commitments and Contingencies

The following table sets forth the amount of Flora Growth's contractual obligations as of June 30, 2022.

(In thousands of United States dollars)	Total	Less than 1 year	1 - 3 years	More than 3 years
Capital (finance) lease obligations	4,167	1,366	1,698	1,103
Contingent purchase consideration	3,958	-	3,958	-
Sales Tax	1,430	1,430	-	-
Total	9,555	2,796	5,656	1,103

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to Flora Growth, but which will only be resolved when one or more future events occur or fail to occur. Flora Growth's management, in consultation with its legal counsel as appropriate, assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against Flora Growth or unasserted claims that may result in such proceedings, Flora Growth, in consultation with legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in Flora Growth's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. Other than the item noted below, Flora Growth is not aware of any matters which result in a loss contingency.

Flora Growth is not able to reasonably estimate the timing of payments associated with deferred tax liabilities and therefore, the preceding table excludes total deferred tax liabilities of US$1.5 million.

The contingent purchase consideration is based on a clause in the Just Brands Agreement that provides if any time during the 24 months following the February 24, 2022 acquisition date the five-day VWAP per Flora Share as quoted on the Nasdaq fails to equal or exceed US$5.00, then Flora Growth shall issue a number of additional Flora Shares to the sellers equal to the difference between: (x) a fraction, the numerator of which is US$47.5 million and the denominator of which is the highest five day VWAP at any point during the 24 months following the closing; and (y) the 9.5 million Flora Shares delivered to the sellers at the closing. In no event shall Flora Growth be required to issue more than 3.65 million Flora Shares unless it shall have obtained the consent of the Flora Shareholders to do so. In the event Flora Growth is required to deliver Excess Shares to the sellers and Flora Growth shall not have obtained shareholder consent, Flora Growth may deliver cash to the sellers in lieu of such Excess Shares determined by a formula set forth in the Just Brands Agreement. The settlement of any amount due may be required with cash should Flora Growth not have required shareholder approval to issue these potential shares. The amount in the table above is the estimated fair value of the potential liability as at June 30, 2022.

C. Trend Information

For a discussion of trends, please see "*General Development of Flora Growth's Business – Flora Growth Core Business*", "*Management's Discussion and Analysis Year Ended December 31, 2021 – Operating Results Overview*" and "*Management's Discussion and Analysis Year Ended December 31, 2021 – Liquidity and Capital Resources*" of

this Appendix "F". The trends discussed in the Annual Report have not materially changed as of the date of the Circular.

Plan of Operations

As noted above, the continuation of Flora Growth's current plan of operations is dependent on its ability to complete the development of its cannabis operations and/or other potential projects and attain future profitable production.

Flora Growth continually evaluates its plan of operations to determine the manner in which it can most effectively utilize its limited cash resources. The timing of completion of any aspect of its plan of operations is highly dependent upon the availability of cash to implement that aspect of the plan and other factors beyond Flora Growth's control. There is no assurance that Flora Growth will successfully obtain the required capital or revenues, or, if obtained, that the amounts will be sufficient to fund its ongoing operations.

Emerging Growth Company Status

Flora Growth is an Emerging Growth Company, as defined in Section 2(a) of the U.S. Securities Act, as modified by the JOBS Act. As such, it is eligible to take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to SEC reporting companies that are not Emerging Growth Companies. For so long as Flora Growth remains an Emerging Growth Company, it will not be required to, among other things:

- present more than two years of audited financial statements and two years of related selected financial data and management's discussion and analysis of financial condition and results of operations disclosure in its registration statement;

- have an auditor report on its internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; and

- disclose certain executive compensation related items.

Flora Growth will remain an Emerging Growth Company until the earlier of: (i) the last day of the fiscal year following the fifth anniversary of its IPO; (ii) the last day of the fiscal year during which it has total annual gross revenue of at least US$1.07 billion; (iii) the date on which it is deemed to be a Large Accelerated Filer under the U.S. Exchange Act, which means the market value of its Flora Shares that are held by non-affiliates exceeds US$700.0 million as of the last business day of its most recently completed second fiscal quarter; and (iv) the date on which it has issued more than US$1.0 billion in non-convertible debt during the prior three-year period.

D. Critical Accounting Policies and Estimates

Flora Growth's financial statements were prepared in accordance with IFRS, as issued by the IASB and interpretations of the IFRIC. The preparation of interim financial statements in accordance with IAS 34, Interim Financial Reporting, requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying its accounting policies.

On a periodic basis, Flora Growth evaluates its judgments, assumptions and estimates. Flora Growth bases its estimates on historical experience, authoritative pronouncements and various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ from these estimates. However, Flora Growth's estimates have not materially changed over the periods presented in the financial statements included in the Circular. For summary information about critical judgments, assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements, see Note 4. Critical Judgements and Estimation Uncertainties, in the notes to the consolidated financial statements included in the Annual Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2021

The following should be read in conjunction with Flora Growth's 2021 Financial Statements, which have been prepared in accordance with IFRS. Amounts are expressed in USD unless otherwise stated. Amounts stated in foreign

currencies include approximate USD amounts based on exchange rates on December 31, 2021. Variance, ratio, and percentage changes in the following discussion are based on unrounded numbers.

The below section reports Flora Growth's activities through December 31, 2021, unless otherwise indicated.

The following discussion contains forward-looking statements. Such forward-looking statements are based on Flora Growth's current expectations and assumptions regarding its business, potential target businesses, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. Flora Growth's actual results may differ materially from those contemplated by the forward-looking statements as a result of various factors, including, without limitation, changes in local, regional, national or global political, economic, business, competitive, market (supply and demand) and regulatory conditions. Please see "*Statements Regarding Forward-Looking Information*" in the Circular for more information regarding forward-looking statements.

Flora Growth has a very limited operating history upon which to base an evaluation of its business and prospects. Flora Growth's short operating history may hinder its ability to successfully meet its objectives and makes it difficult for potential investors to evaluate its business or prospective operations.

A. Operating Results Overview

Overview

We are an all-outdoor cultivator and manufacturer of global cannabis products and brands, building a connected, design-led collective of plant-based wellness and lifestyle brands. As the operator of an extensive outdoor cannabis cultivation facility, Flora Growth leverages natural, cost-effective cultivation practices to supply cannabis derivatives to its diverse business units. The foundation of our business strategy is built on three core pillars: commercial/wholesale, house of brands, and life sciences. Below is a brief summary of these three key pillars:

Commercial & Wholesale

The Commercial and Wholesale pillar encompasses our cultivation, extraction, manufacturing and distribution of cannabis, its derivatives, plant-based extracts, and white-label or custom formulations with the intent to supply both domestic and international markets for both internal and third-party applications. This business is supported by existing cultivation on a portion of 249 acres and onsite laboratory facilities in Bucaramanga Colombia, together with two manufacturing and processing laboratories in Bogotá, Colombia and one in Fort Lauderdale, Florida.

House of Brands

Flora Growth's "House of Brands" consists of a connected ecosystem of wellness and lifestyle consumer packaged goods that are designed to deliver unique experiences to its customers. These brands consist of a mix of products across multiple categories including food and beverage, nutraceuticals, cannabis accessories and technology, personal care, and pet wellness, that allow us to gain meaningful access to global markets. This brand strategy allows Flora Growth to collect customer data through first-party relationships via each brand, creating an opportunity for customer acquisition, cross-promotion, consumer insights, and a database of opted-in consumers for new brand and product development opportunities.

Life Sciences

Flora Growth's Life Sciences pillar is focused on providing scientific based research connected to molecules found in the Cannabis plant. Through the Life Sciences pillar, Flora Growth works to create education platforms as well as to initiate research studies, clinical trials, and the development of plant-based, medical-grade pharmaceuticals, phytotherapeutics, and dietary supplements for use in target and broad-based use cases leveraging multiple modalities. We are currently working on a study in conjunction with the University of Manchester in the United Kingdom to assess the benefits of a proprietary CBD formulation on patients suffering from fibromyalgia and pain-related

illnesses. Additionally, Flora Growth is seeking approval from INVIMA, Colombia's equivalent to the FDA, for a patent-pending cannabinoid formulation for use as a dietary supplement.

Acquisition activities

Please see "*General Development of Flora Growth's Business – Acquisitions and Investments*" of this Appendix "F" for more information on our acquisitions and investments.

Dividends

Flora Growth currently does not pay dividends, as it has been in a loss position since its inception.

Key Components of Results of Operations

Management has determined that Flora Growth has five operating segments including cannabis growth and derivative production (at our farm in Bucaramanga), consumer products (through our Vessel, Hemp and Beauty brands), pharmaceuticals and nutraceuticals (through Flora Lab #2 and #4), food and beverage (through our Mambe and Tonino Lamborghini brands), and corporate, which reflects activities that do not directly influence business unit operations and includes Flora Growth's long-term investments.

Revenue

Revenue earned to date has been generated by the products in the food and beverage, consumer products and pharmaceuticals and nutraceuticals segments. In our food and beverage segment, Flora Growth sells canned tuna, as well as natural, no additive-added, no sugar-added juices, chocolates and confectionary related products to large channel distributors, including wholesale distributors, pharmacies, supermarkets and online distributors. In our consumer products segment, Flora Growth sells high-end cannabis consumer technology, such as vape pens and associated accessories throughout the United States and internationally, skincare and beauty products made with innovative cannabis ingredients, and hemp-based textile products on a hybrid business-to-business and business-to-consumer model. In our pharmaceuticals and nutraceuticals segment, Flora Growth sells dermo-cosmetic formulas and premium personal care products for business-to-consumer clients, as well as pharmaceutical and over-the-counter products to large channel distributors.

Cost of sales

Cost of sales are directly related to the services Flora Growth provides and fluctuates in line with its revenues. Flora Growth's cost of sales primarily consists of materials and products for resale, direct labor and overhead expenses related to the development, manufacture, and distribution of its products

Operating expenses

Operating expenses consist primarily of consulting and management fees related to Flora Growth's management and the Flora Board; professional fees associated with legal and audit services as well as listing fees related to Flora Growth's IPO and subsequent offerings; selling, general and administrative expenses consisting primarily of promotional expenses; travel expenses; stock based compensation; research and development; depreciation and amortization of certain long-lived assets; bad debt expense; and goodwill impairment.

Non-operating expense

Non-operating expense consists of interest expense, primarily from lease obligations, losses on foreign exchange transactions and unrealized losses on a long-term investment in an early-stage European cannabis company.

Results of Operations

The following table sets forth key components of Flora Growth's results of operations for the twelve-month period ended December 31, 2021, as compared with the twelve-month period ended December 31, 2020, and the period from March 13, 2019 (inception) to December 31, 2019.

Consolidated Statements of Loss and Comprehensive Loss

(In thousands of United States dollars, except per share amounts which are in thousands of shares)	For the year ended December 31, 2021	For the year ended December 31, 2020	For the period from March 13, 2019 (inception) to December 31, 2019
Revenue	8,980	106	-
Cost of sales	6,627	35	-
Gross profit before gain on fair value of biological assets	2,253	71	-
Unrealized gain on changes in fair value of biological assets	72	-	-
Gross Profit	2,425	71	-
Operating Expenses			
Consulting and management fees	7,324	4,752	2,001
Professional fees	4,269	794	183
General and administrative	4,507	1,400	175
Travel expenses	603	428	306
Share based compensation	1,340	4,901	107
Research and development	765	78	21
Depreciation and amortization	765	113	26
Bad debt expense	1,335	-	-
Goodwill impairment	51	1,816	-
Other expenses (income), net	1,050	73	-
Total operating expenses	21,376	14,355	2,819
Operating Loss	(18,951)	(14,284)	(2,819)
Interest expense	84	30	19
Foreign exchange loss	79	20	6
Unrealized loss on fair value of investments	2,345	-	-
Net loss before income taxes	(21,459)	(14,334)	(2,844)
Income tax benefit	98	-	-
Net loss for the period	**(21,361)**	**(14,334)**	**(2,844)**
Other comprehensive loss			
Exchange differences on foreign operations	(1,147)	16	23
Total comprehensive loss for the period	**(22,508)**	**(14,318)**	**(2,821)**
Net loss attributable to:			
Flora Growth Corp.	(21,249)	(14,170)	(2,824)
Non-controlling interests	(112)	(164)	(20)
Comprehensive loss attributable to:			
Flora Growth Corp.	(22,396)	(14,154)	(2,801)
Non-controlling interests	(112)	(164)	(20)
Basic and diluted loss per share attributable to Flora Growth Corp.	(0.48)	(0.47)	(0.19)
Weighted average number of common shares outstanding - basic and diluted	**43,954**	**29,901**	**14,892**

For the twelve months ended December 31, 2021, compared to the twelve months ended December 31, 2020.

For the twelve months ended December 31, 2021, Flora Growth reported a net loss of US$21.4 million, or US$0.48 per share, compared to a net loss of US$14.3 million, or US$0.47 per share, for the twelve months ended December 31, 2020. Net loss increased from 2020 to 2021 primarily due to increased staffing to support expanded and future operations, increased costs as part of the IPO and secondary offerings and an unrealized loss on the fair value of Flora Growth's long-term investment in an early-stage European cannabis company. The net loss was partially offset by an increase in gross profit due to higher volume of sales and less share-based compensation due to longer vesting periods for awards issued in 2021.

Flora Growth had working capital of US$41.8 million on December 31, 2021, compared to working capital of US$14.9 million on December 31, 2020.

Flora historically has reported losses as it developed its cannabis cultivation program. Flora Growth will continue to utilize proceeds from financing and equity issuances as well as the revenue generated from our other business segments following its recent acquisitions and diversification to fund its operations until it reaches profitability.

Revenues

Flora Growth reported US$9.0 million and US$0.1 million in revenues for the twelve months ended December 31, 2021, and December 31, 2020, respectively. Revenues generated for the twelve months ended December 31, 2021, by the food and beverage segment were US$3.6 million primarily related to new sales agreements effective in the second half of 2021. Revenues generated for the twelve months ended December 31, 2021, and December 31, 2020, by the consumer products segment were US$2.6 million and US$0.1 million, respectively. The increase primarily related to having a full year of ownership in 2021 for Flora Beauty and Hemp Textiles, new sales agreements effective in the second half of 2021, and the results of VBI from the acquisition date of November 10, 2021, through December 31, 2021. Revenues generated for the twelve months ended December 31, 2021, by the pharmaceuticals and nutraceuticals division were US$2.3 million due to having a full year of ownership in 2021 of the businesses acquired in late December 2020. The corporate segment generated a total of US$0.4 million in revenues for the twelve months ended December 31, 2021, mainly driven by the sale of cannabis educational course content and materials to institutions in the Colombian market. To date, Flora Growth has generated minimal revenues from its cannabis growth segment as Flora Growth just completed its first commercial harvests in late 2021 and continues to build out its operations for further processing and ultimate sale.

Cost of sales and gross profit

Flora's cost of sales were US$6.6 million and for the twelve-month period ended December 31, 2021 compared to less than US$0.1 million in the twelve-month period ended December 31, 2020. The increase is due to the increase in sales volume in 2021 compared to 2020 from having a full year of ownership of the businesses in 2021 and new sales agreements. Flora also reported US$0.1 million in unrealized gains on changes in the fair value of biological assets in its cannabis growth and derivative production segment relating to Flora's first commercial cannabis harvests in the second half of 2021.

Flora reported gross profit of US$2.4 million and US$0.1 million for the twelve-month periods ended December 31, 2021, and December 31, 2020, respectively. Gross profit reported for the twelve months ended December 31, 2021, and December 31, 2020, by the consumer products segment was US$0.9 million and US$0.1 million, respectively. The increase primarily related to having a full year of ownership in 2021 for Flora Beauty and Hemp Textiles, new sales agreements effective in the second half of 2021, and the results of VBI from the acquisition date of November 10, 2021, through December 31, 2021. Gross profit reported for the twelve months ended December 31, 2021, by the pharmaceuticals and nutraceuticals segment was US$0.8 million due to having a full year of ownership in 2021 of the businesses acquired in late December 2020. Gross profit reported for the twelve months ended December 31, 2021, by the food and beverage segment was US$0.3 million due to new sales agreements effective in the second half of 2021. Gross profit reported for the twelve months ended December 31, 2021, by the corporate segment was US$0.4 million due the sale of cannabis educational course content and materials to institutions in the Colombian market. The cannabis growth and derivative production segment reported a loss of (US$0.1) million for the twelve months ended December 31, 2021, as it completed its first commercial harvest in late 2021 and has generated minimal revenue.

Research and Development Expenses

Flora research and development expenses were US$0.1 million for each of the twelve-month periods ended December 31, 2021, and December 31, 2020. Research and development expenses to date consist primarily of contract research fees, manufacturing, consultant fees, and study related costs related to cultivation of cannabis in Colombia for the Cosechemos business.

Consulting and Management Fees

Flora recorded consulting and management fees of US$7.3 million and US$4.8 million for the twelve-month periods ended December 31, 2021, and December 31, 2020, respectively. These fees are related to consulting contracts with most of Flora's management, as well as directors, related parties and bonuses. The increase in 2021 primarily relates to increased staffing to support expanded and future operations.

Professional Fees

Flora recorded professional fees of US$4.3 million and US$0.8 million for the twelve-month periods ended December 31, 2021, and December 31, 2020, respectively. The increase in 2021 is due to legal, audit and listing fees related to Flora's IPO and subsequent offerings, as well as a legal settlement related to a contractual dispute between Flora and the underwriter for Flora's IPO. Please see "*Legal Proceedings and Regulatory Actions – Legal Proceedings*" of this Appendix "F" for more information

General and Administrative Expenses

Flora recorded general and administrative expenses of US$4.5 million and US$1.4 million for the twelve-month periods ended December 31, 2021, and December 31, 2020, respectively. The increase in 2021 is primarily due to promotional activities related to Flora's IPO and subsequent offerings, as well as costs associated with Flora building its marketing strategy.

Travel Expenses

Flora recorded travel expenses of US$0.6 million and US$0.4 million for the twelve-month periods ended December 31, 2021, and December 31, 2020, respectively. These expenses were for various trips related to the subsidiaries and Flora's promotion.

Share Based Compensation Expenses

Flora recorded share-based compensation expenses of US$1.3 million and US$4.9 million for the twelve-month periods ended December 31, 2021, and December 31, 2020, respectively. These expenses represent the amortization of the fair value of share-based payments. The decrease in 2021 is primarily due to the 2021 stock options granted having a one-year vesting period that the expense is recognized over, compared to immediate vesting of options granted in 2020 and 2019. This decrease is partially offset by approximately 600,000 more options granted in 2021 compared to 2020, which also had a higher calculated value per option for 2021 grants compared to 2020 grants.

Goodwill

As a result of its annual impairment test in the fourth quarter of 2021, Flora recorded a US$0.1 million goodwill impairment to its food and beverage cash generating unit for the year ended December 31, 2021. As a result of its annual impairment test, Flora recorded a US$1.8 million goodwill impairment to a cash generating unit for each of the acquisitions of Cronomed, Breeze and Kasa for the year ended December 31, 2020.

Bad Debt and Other

Flora recorded bad debt expense of US$1.3 million for the twelve-month period ended December 31, 2021, compared to nil in 2020, to reflect Flora's estimate of lifetime expected losses related to outstanding trade receivables from 2021 sales.

Flora recorded other expenses (income), net of US$1.0 million and US$0.1 million for the twelve-month periods ended December 31, 2021, and December 31, 2020, respectively. These expenses consist mainly of insurance, repairs and maintenance, rent and royalties. The increase in 2021 is due to having a full year of ownership in 2021 for Flora's businesses, the impact of acquiring VBI in November 2021, as well as increased costs to support the overall increased operations of Flora.

Unrealized (Gain) Loss on Fair Value of Investments

Flora's 2021 investment in its European cannabis investee decreased approximately US$2.3 million during 2021 compared to having no such investments in 2020. The decrease is due to decreases in observed marketplace valuation metrics affecting cannabis related companies during the second half of 2021.

For the twelve months ended December 30, 2020, compared to the period from March 13, 2019 (inception) to December 31, 2019.

For the twelve months ended December 31, 2020, Flora reported a net loss of US$14.3 million, or US$0.47 per share, compared to a net loss of US$2.8 million, or US$0.19 per share, for the period from March 13, 2019 (inception) to December 31, 2019. Flora had working capital of US$14.9 million on December 31, 2020, compared to working capital of (US$1.8) million on December 31, 2019.

Revenues

Flora reported US$0.1 million in revenues for the twelve months ended December 31, 2020. As of December 31, 2020, Flora had a very limited operating history upon which to base an evaluation of its business and prospects.

Research and Development Expenses

Flora research and development expenses were US$0.1 million for the twelve-month period ended December 31, 2020 compared to less than US$0.1 million for the period from March 13, 2019 (inception) to December 31, 2019. Research and development expenses to date consist primarily of contract research fees, manufacturing, consultant fees, and study related costs related to cultivation of cannabis in Colombia.

Flora provided funding to Cosechemos for the research and development of producing medicinal CBD oil.

Consulting and Management Fees

Flora recorded consulting and management fees of US$4.8 million and US$2.0 million for the twelve-month period ended December 31, 2020, and the period from March 13, 2019 (inception) to December 31, 2019, respectively. These fees are related to consulting contracts with most of Flora's management, as well as directors, related parties and bonuses.

Professional Fees

Flora recorded professional fees of US$0.8 million and US$0.2 million for the twelve-month period ended December 31, 2020, and the period from March 13, 2019 (inception) to December 31, 2019, respectively. Most of the fees relate to legal and audit fees to prepare the Regulation A+ Tier 2 materials related to the Regulation A Offering.

General and Administrative Expenses

Flora recorded general and administrative expenses of US$1.4 million and US$0.2 million for the twelve-month period ended December 31, 2020, and the period from March 13, 2019 (inception) to December 31, 2019, respectively. These expenses were mainly promotion costs, as Flora seeks to build its brand.

Travel Expenses

Flora recorded travel expenses of US$0.4 million and US$0.3 million for the twelve-month period ended December 31, 2020, and the period from March 13, 2019 (inception) to December 31, 2019, respectively. These expenses were for various trips related to the subsidiaries and Flora's promotion.

Share Based Compensation Expenses

Flora recorded share-based compensation expenses of US$4.9 million and US$0.1 million for the twelve-month period ended December 31, 2020, and the period from March 13, 2019 (inception) to December 31, 2019, respectively. These expenses represent the amortization of the fair value of share-based payments.

Goodwill

As a result of its annual impairment test, Flora recorded a US$1.8 million goodwill impairment to a cash generating unit for each of the acquisitions of Cronomed, Breeze and Kasa for the year ended December 31, 2020.

B. Liquidity and Capital Resources

The following table sets forth the major components of Flora's statements and consolidated statements of cash flows for the periods presented.

(In thousands of United States dollars)	For the year ended December 31, 2021	For the year ended December 31, 2020	For the period from March 13, 2019 (inception) to December 31, 2019
Cash from operating activities	(20,648)	(8,421)	(454)
Cash from financing activities	58,106	25,816	1,005
Cash from investing activities	(14,550)	(2,164)	(431)
Effect of exchange rate change	(817)	152	20
Change in cash during the period	22,091	15,383	140
Cash, beginning of period	15,523	140	0
Cash, end of period	37,614	15,523	140

Cash from Operating Activities

Net cash used in operating activities for the twelve-months ended December 31, 2021, December 31, 2020, and for the period from March 13, 2019 (inception) to December 31, 2019, totaled US$20.6 million, US$8.4 million and US$0.5 million, respectively. Cash flows used in operating activities for the twelve months ended December 31, 2021, were due primarily to the increased operating expenses and net working capital requirements as operations increased in the second half of 2021 and having a full year impact of acquisitions in 2021 results. These increases in cash used in operating activities were partially offset by increased gross profit in 2021.

Cash flows used in operating activities for the twelve months ended December 31, 2020, were due primarily to the loss incurred for the year combined with changes in working capital, partially offset by non-cash share-based compensation of US$4.9 million and impairment charges of US$1.8 million.

Cash flows used in operating activities for the period from March 13, 2019 (inception) to December 31, 2019, were due primarily to the loss incurred for the year, partially offset by changes in working capital and non-cash share-based compensation of US$1.5 million.

Cash from Financing Activities

Net cash provided in financing activities for the twelve-months ended December 31, 2021, December 31, 2020, and for the period from March 13, 2019 (inception) to December 31, 2019, totaled US$58.1 million, US$25.8 million and

US$1.0 million, respectively. Cash flows provided in financing activities for the twelve months ended December 31, 2021, were due primarily to Flora's Regulation A Offering, the IPO and November 2021 Unit Offering, as well as proceeds received from warrant and stock option exercises.

Cash flows provided in financing activities for the twelve months ended December 31, 2020, were due to primarily to the Regulation A Offering, partially offset by required loan repayments.

Cash flows provided in financing activities for the period from March 13, 2019 (inception) to December 31, 2019, were due primarily to proceeds from loans receivable.

Cash from Investing Activities

Net cash used in investing activities for the twelve-months ended December 31, 2021, December 31, 2020, and for the period from March 13, 2019 (inception) to December 31, 2019, totaled US$14.6 million, US$2.2 million and US$0.4 million, respectively. Cash flows used in investing activities for the twelve months ended December 31, 2021, were due primarily to the acquisition of Vessel in November 2021, an investment in an early-stage European cannabis company, and capital expenditures primarily to construct the Cosechemos cannabis cultivation buildings and productions in Colombia.

Cash flows used in investing activities for the twelve months ended December 31, 2020, were due primarily to the repayment of loans provided, business and asset acquisitions and the purchases of property, plant and equipment.

Cash flows used in investing activities for the period from March 13, 2019 (inception) to December 31, 2019, were due primarily to the repayment of loans provided and the purchases of property, plant and equipment.

Working Capital

As of December 31, 2021, Flora had working capital of US$41.8 million. Flora's primary cash flow needs are for the development of its cannabis activities, administrative expenses and for general working capital to support growing sales and production with related receivables and payables. Flora also acquired 100% of the equity interests in JBL and HRPL on February 24, 2022 which included a US$16.0 million payment from existing cash balances.

Funding Requirements

Flora's continued existence is dependent on its ability to generate positive cash flows through synergies within its growing operations, expanding its production capacity and geographic footprint, exploring strategic partnerships, and pursuing accretive acquisitions to supplement our organic growth. Flora may be required in the future to raise additional capital through either equity or debt financings. To date, it has raised capital through multiple equity offerings described below.

November 2021 Unit Offering

In November 2021, Flora completed a public offering of 11,500,000 November Units, with each November Unit consisting of one Flora Share and one-half November Flora Warrant; each whole November Flora Warrant entitling the holder thereof to purchase one Flora Share (the "**November 2021 Unit Offering**"). Flora registered 10,000,000 November Units in the offering and granted the underwriters a 30-day over-allotment option to purchase up to additional 1,500,000 Flora Shares and/or November Flora Warrants. The over-allotment option was exercised in full in connection with the closing of the November 2021 Unit Offering.

Pursuant to the November 2021 Unit Offering, Flora sold a total of 11,500,000 November Units at a price of US$3.00 per November Unit. The net proceeds Flora received from the November 2021 Unit Offering were approximately US$31.6 million.

Flora paid US$2.7 million in issuance costs relating to the November 2021 Unit Offering and issued 460,000 November Underwriter Warrants.

Initial Public Offering

On May 13, 2021, Flora closed its IPO upon which it issued 3,333,333 Flora Shares at a price of US$5.00 per Flora Share for gross proceeds of US$16.7 million. On May 11, 2021, Flora was listed on the Nasdaq. In connection with the closing, Flora paid unit issuance costs of US$1.8 million and issued 632,000 warrants to the underwriters of the IPO valued at US$1.3 million.

Regulation A Offering

During the year ended December 31, 2020, Flora announced an offering up to 13,333,287 units (the "**Reg A Units**") of Flora to be sold in a Regulation A offering circular under the U.S. Securities Act (the "**Regulation A Offering**"). Each Reg A Unit is comprised of one Flora Share and one-half of one warrant to purchase one additional Flora Share (a "**Reg A Warrant Share**") at an exercise price of US$3.00 per Reg A Warrant Share, subject to certain adjustments, over an 18-month exercise period following the date of issuance of the warrant. The Reg A Units were offered at a purchase price of US$2.25 per Reg A Unit. Flora sold the Reg A Units through a Tier 2 offering pursuant to Regulation A (Regulation A+) under the U.S. Securities Act. During the year ended December 31, 2020, Flora issued 13,333,287 Reg A Units. In connection with the closing, Flora paid unit issuance costs of US$3.1 million in cash, which has been allocated US$2.7 million to capital stock and US$0.4 million to warrants.

On January 20, 2021, Flora issued 26,000 units of the Flora at a price of US$2.25 per unit for gross proceeds of US$0.1 million. Each unit is comprised of one Flora Share and one-half of one common share purchase warrant to purchase one additional Flora Share at an exercise price of US$3.00 per warrant share, subject to certain adjustments, over an 18-month exercise period following the date of issuance of the warrant. Flora sold the units through a Tier 2 offering pursuant to Regulation A (Regulation A+) under the U.S. Securities Act. Additionally, Flora cancelled 28,000 units of the Flora at a price of US$2.25 per unit and valued at US$0.1 million. The units were cancelled due to non-payment of the subscription price.

Loans Receivable and Advances

Koch and Gsell loan

In 2021, Flora loaned CHF 0.3 million to Koch and Gsell, a potential acquisition target of Flora, to provide Koch and Gsell with additional working capital. The loan is secured by a general security agreement, an interest rate at LIBOR plus 1.00% per annum and payable on the maturity date of August 28, 2021 and remains outstanding on December 31, 2021. Flora decided not to pursue the acquisition of Koch and Gsell.

Sanaty loan

As of December 31, 2020, Flora had provided a loan of US$0.2 million to Sanaty. The purpose of making this loan was to provide working capital to Sanaty as a potential acquisition target. In 2021, the loan was repaid.

Quiprofarma Advance

As of December 31, 2020, Flora had provided an advance of US$0.1 million to Quipropharma. The purpose of making this advance was for a prepayment of the purchase price on the asset acquisition that was closed subsequent to December 31, 2020. The advance was settled in 2021 with no amount remaining as of December 31, 2021.

Sulliden Mining Capital Loan

On November 6, 2019, Flora entered into a loan agreement with Sulliden Mining Capital Inc. for a loan of up to US$0.5 million of which US$0.5 million of principal was drawn down by Flora in borrowings prior to repayment (December 31, 2019 - US$0.5 million). The loan bore interest at 12% annually, was unsecured, and was due on March 31, 2020. As of December 31, 2019, the interest payable on the loan was US$3,681. Stan Bharti, Flora's former Chairman and Deborah Battiston, its former Chief Financial Officer, served as Interim Chief Executive Officer and former Chief Financial Officer, respectively of Sulliden Mining. These funds were utilized at Cosechemos and to

provide working capital for Flora. On January 31, 2020, the loan was repaid, including interest, in the amount of US$0.5 million.

Q Gold Resources Loan

On June 18, 2019, Flora entered into a loan agreement in favor of Q Gold. The loan bore interest at 10% annually, was unsecured, and was payable on demand. Deborah Battiston is the former Chief Financial Officer and Fred Leigh is a former director of Flora. Deborah Battiston is the Chief Financial Officer and Fred Leigh is the former Chief Executive Officer and a former director of Q Gold. These funds were utilized at Cosechemos and to provide working capital for Flora. On March 6, 2020, the loan was repaid in full, including interest.

Kasa Loan

On January 1, 2020, a loan was outstanding to Kasa. The loan accrues interest with an annual interest rate of 5%, is unsecured, and is payable on demand. As of December 31, 2021, and December 31, 2020, Flora had a loan receivable of US$0.6 million and US$0.2 million, respectively. The purpose for the loan was to provide working capital prior to the completion of the acquisition.

Newdene Loan

On February 12, 2020, Flora made a loan of US$1.0 million to Newdene Gold Inc. The loan accrued interest with an annual interest rate of 6% and was payable six months following the closing date of February 12, 2020. The loan was secured by a securities pledge agreement in favor of Flora creating a security interest of 2,000,000 Flora Shares (666,667 Flora Shares on a post-split basis). On November 23, 2020, the loan of US$1.0 million plus interest was repaid in full.

Consultancies Loan

On April 17, 2020, Flora made a loan of US$0.1 million to Consultancies and Consultancies of Latam by GM LLC. The loan accrued interest with an annual interest rate of 5% and was payable 60 days following the closing date of April 17, 2020. The loan to Consultancies and Consultancies of Latam by GM LLC of US$0.1 million plus interest of has been repaid in full via services provided.

Other than the debt discussed above, Flora had no long-term debt or bank facilities, other than its lease liability.

Capital Expenditures

Flora does not have any contractual obligations for ongoing capital expenditures at this time.

Off-Balance Sheet Arrangements

Flora did not have, during the periods presented, and it does not currently have, any off-balance sheet arrangements.

Contractual Obligations, Commitments and Contingencies

The following table sets forth the amount of Flora's contractual obligations as of December 31, 2021.

(In thousands of United States dollars)	Total	Less than 1 year	1 - 3 years	More than 3 years
Capital (finance) lease obligations	1,515	519	797	199
Termination benefits	352	352	-	-
Legal disputes	1,681	1,681	-	-
Total	3,548	2,552	797	199

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to Flora, but which will only be resolved when one or more future events occur or fail to occur. Flora's management, in consultation

with its legal counsel as appropriate, assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against Flora or unasserted claims that may result in such proceedings, Flora, in consultation with legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued Flora's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. Other than the item noted below, Flora is not aware of any matters which result in a loss contingency.

Flora is not able to reasonably estimate the timing of payments associated with deferred tax liabilities and therefore, the preceding table excludes total deferred tax liabilities of US$2.2 million. Refer to Note 21, Income Taxes, in the 2021 Financial Statements for a complete discussion of income taxes.

In April 2022, Flora entered into an agreement with its IPO underwriter, settling all disputes regarding compensation claimed by the underwriter. In exchange for a release of claims, Flora delivered to the underwriter US$0.4 million and 700,000 Flora Shares. Please see "*Legal Proceedings and Regulatory Actions – Legal Proceedings*" of this Appendix "F" for more information.

Research and Development Licenses

Flora believes that investment in research and development is essential for maintaining and expanding its cannabis cultivation and medicinal CBD oil production expertise. Flora's customers provide significant feedback for product development and innovation.

Flora relies on a combination of trademark, patent, copyright and trade secret protection laws in Colombia and other jurisdictions to protect Flora's intellectual property and brands. Flora has applied for and has received approvals from the Superintendency of Industry and Commerce and the Instituto Nacional de Vigilancia de Medicamentos y Alimentos, for its beauty and skincare, pharmaceutical, loungewear, and food and beverage products. Please see "*General Development of Flora's Business – Our Intellectual Property Portfolio*" of this Appendix "F" for a summary of such approvals and certificates.

D. Trend Information

For a discussion of trends, please see "*General Development of Flora's Business – Flora Growth Core Business*", "*Management's Discussion and Analysis Year Ended December 31, 2021 – Operating Results Overview*" and "*Management's Discussion and Analysis Year Ended December 31, 2021 – Liquidity and Capital Resources*" of this Appendix "F".

Plan of Operations

As noted above, the continuation of Flora's current plan of operations, and its ability to attain future probability, is dependent on its ability to execute its strategic plan, including the development of its cannabis operations and its other initiatives within its other business segments. As a result of raising capital through the sale of Flora Shares offered for sale in the IPO and the November 2021 Unit Offering, Flora believes that it will have sufficient cash resources to fund its plan of operations through 2023.

Flora continually evaluates its plan of operations to determine the manner in which it can most effectively utilize its limited cash resources. The timing of completion of any aspect of its plan of operations is highly dependent upon the availability of cash to implement that aspect of the plan and other factors beyond Flora's control. There is no assurance that Flora will successfully obtain the required capital or revenues, or, if obtained, that the amounts will be sufficient to fund its ongoing operations.

Emerging Growth Company Status

Flora is an Emerging Growth Company, as defined in Section 2(a) of the U.S. Securities Act, as modified by the JOBS Act. As such, it is eligible to take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to SEC reporting companies that are not Emerging Growth Companies. For so long as Flora remains an Emerging Growth Company, it will not be required to, among other things:

- present more than two years of audited financial statements and two years of related selected financial data and management's discussion and analysis of financial condition and results of operations disclosure in its registration statement;

- have an auditor report on its internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; and

- disclose certain executive compensation related items.

Flora will remain an Emerging Growth Company until the earlier of: (i) the last day of the fiscal year following the fifth anniversary of its IPO; (ii) the last day of the fiscal year during which it has total annual gross revenue of at least US$1.07 billion; (iii) the date on which it is deemed to be a Large Accelerated Filer under the U.S. Exchange Act, which means the market value of the Flora Shares that are held by non-affiliates exceeds US$700 million as of the last business day of its most recently completed second fiscal quarter; and (iv) the date on which it has issued more than US$1.0 billion in non-convertible debt during the prior three-year period.

E. Critical Accounting Policies and Estimates

Flora's financial statements were prepared in accordance with IFRS, as issued by the IASB and interpretations of the IFRIC. The preparation of interim financial statements in accordance with IAS 34, Interim Financial Reporting, requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying its accounting policies.

On a periodic basis, Flora evaluates its judgments, assumptions and estimates. Flora bases its estimates on historical experience, authoritative pronouncements and various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ from these estimates. However, Flora estimates have not materially changed over the periods presented in the financial statements. For summary information about critical judgments, assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements, see Note 4. Critical Judgements and Estimation Uncertainties, in the notes to the consolidated financial statements for the years ended December 31, 2021, 2020 and 2019.

Recent Accounting Pronouncements

Please see Note 3. Significant Accounting Policies in the notes to the consolidated financial statements for the years ended December 31, 2021, 2020 and 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020

The following discussion of our financial condition and results of operations should be read in conjunction with the sections of Flora's April 21 Form F-1 entitled "Selected Consolidated Financial Information and Operating Data" and "Business", and our consolidated financial statements and related notes thereto. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our current plans, expectations, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below, in "*Statements Regarding Forward-Looking Information*" of the Circular and "*Risk Factors*" of this Appendix "F".

The below section reports Flora's activities through December 31, 2020, unless otherwise indicated.

Overview

We cultivate and process natural, medicinal-grade cannabis oil and high quality cannabis derived medical and wellbeing products and supply these premium products to large channel distributors, including pharmacies, medical clinics, and cosmetic companies. We are an early-stage private company headquartered in Canada. Our agricultural and processing operations are in Colombia. We just began to generate revenues in August 2020 through our Flora Beauty subsidiary, in October 2020 through our Hemp Textiles subsidiaries, and in December 2020 following acquisitions of our Cronomed, Breeze, and Kasa subsidiaries. Our acquisitions have generated revenues as stand-alone entities: Cronomed since March 2005; Breeze since January 2013; and Kasa since July 2013.

We have not yet harvested a commercial cannabis crop or produced oil extracts. We will not have sufficient infrastructure as a grower or have the ability to extract CBD oil in any material amounts until our Cosechemos research technology and processing center has been constructed and becomes operational. The production facility is intended to plant, grow and harvest our products on a commercial scale, to produce oil extracts, to access needed facilities and labor and to achieve large channel distribution of our products.

Effective October 15, 2019, we acquired 90% of our Colombian subsidiary, Cosechemos, which is licensed in Colombia to cultivate, produce and distribute CBD medical cannabis for use in Colombia and for international export. We have one property under lease, the Cosechemos farm, in Giron, Santander, Colombia, which is a 361-hectare property. We also have the option to lease Palagua Farm 1, a 700 hectare property, and Palagua Farm II, a 1,432-hectare property (collectively, the "**Palagua Farms**"), in Puerto Boyaca, Colombia. Our main Colombian operations are currently in Giron, Colombia. Our Palagua Farms comprise two contiguous farms for a total of 2,132 hectares.

We are currently in discussions with distributors for the distribution of our products from Cosechemos. Such discussions are preliminary in nature as we focus on building a commercial cultivation at the Cosechemos farm. We will require adequate funding from the Regulation A Offering to fulfill these business objectives and enter into definitive agreements with distributors.

On July 16, 2019, we signed a share purchase agreement with Guillermo Andres Ramirez Martinez, Guillermo Ramirez Cabrales and Oscar Mauricio Franco Ulloa (the "**Cosechemos Vendors**") to purchase 90% of Cosechemos. Pursuant to the share purchase agreement, we acquired 4,500 shares of Cosechemos. As consideration for the Cosechemos shares, we paid US$80,000 to the Cosechemos Vendors, and granted the Cosechemos Vendors the Free Carry. The Free Carry will terminate upon our investing an aggregate of US$25,000,000 in Cosechemos.

On October 2, 2019, we signed a shareholders' agreement with the Cosechemos Vendors and Cosechemos, the legal and beneficial owner of 100% interest of non-psychoactive cannabis license in Colombia. Pursuant to our shareholders agreement with the Cosechemos Vendors and Cosechemos, we are required to fund the operations of Cosechemos and the Cosechemos Vendors' equity interest in Cosechemos cannot be diluted by such funding during the time that the Free Carry is in effect. Upon the termination of the Free Carry, the Cosechemos Vendors will be required, if needed by Cosechemos, to fund the operations of Cosechemos on a pro rata basis or risk having their equity interest in Cosechemos be diluted. Pursuant to the purchase agreement, we are required to pay the Cosechemos Vendors, as a one-time payment, US$750,000 within 60 days of Cosechemos earning a net income of US$10,000,000.

Pursuant to the Farm Lease dated May 2, 2018, between C.I. Gramaluz S.C.A. and Cosechemos, Cosechemos has leased the Cosechemos farm, which is a 361 hectare property in Giron, Santander, Colombia. Effective September 1, 2019, Cosechemos shall pay a monthly fee of approximately US$2,900 (COP10,000,000). On March 1, 2020, the monthly fee was increased to approximately US$5,800 (COP20,000,000). Cosechemos has a right to purchase the Cosechemos farm at a price to be determined by an arm's length third party appraiser from the real estate association of Bogotá, Colombia.

Pursuant to an option to lease agreement, dated December 27, 2018, between Waldshut C.V. and Cosechemos, Cosechemos has the option to lease the Palagua Farm I. Pursuant to an option to lease agreement dated, December 27, 2018, between Vicalvaro C.V. and Cosechemos, Cosechemos has the option to lease the Palagua Farm II. The Palagua Farm I is a 700 hectare property in Palagua, Boyaca, Colombia. The Palagua Farm II is a 1,432 hectare property in Palagua, Boyaca, Colombia. The Palagua Farms are contiguous to each other. The Palagua Farms are

approximately 300 kilometers from the Cosechemos farm. Pursuant to the option to lease agreements for the Palagua Farms, Cosechemos will pay approximately US$28.13 (COP$95,879) per month for each hectare of the Palagua Farms being used to cultivate cannabis by Cosechemos.

On December 29, 2020, we acquired 90% of Kasa, pursuant to the Kasa Purchase Agreement with Santiago Mora Bahamon, Laura Londono Tapia, Pablo Silva and Stefan Lauer (the "**Kasa Vendors**"). Pursuant to the Kasa Purchase Agreement, we acquired 18,000 shares of Kasa (the "**Kasa Shares**"). As consideration for the Kasa Shares, we agreed to pay US$148,300 in cash to the Kasa Vendors in the percentages set forth in the Kasa Purchase Agreement and to discharge the liabilities of the Kasa Vendors in the amount of US$87,300, for aggregate consideration of US$235,600.

On December 29, 2020, we acquired 90% of Breeze, pursuant to, pursuant to the Breeze Share Purchase Agreement with Ángel Miguel Ramírez, Roberto Barreto and Sandra Milena Barreto Garzón (the "**Breeze Vendors**"). Pursuant to the Breeze Share Purchase Agreement, we acquired 46,800 shares of Breeze (the "**Breeze Shares**"). As consideration for the Breeze Shares, we agreed to pay US$147,300 in cash to the Breeze Vendors in the percentages set forth in the Breeze Share Purchase Agreement and to discharge the liabilities of the Breeze Vendors in the amount of US$58,900 for aggregate consideration of US$206,200. Pursuant to the Breeze Share Purchase Agreement, in the event that we elect to merge Breeze and Cronomed, we are required to issue that number of shares of the combined entity to the Breeze Vendors such that collectively the Breeze Vendors would own a 5% equity interest in the combined entity. In the event that we elect not to merge Breeze and Cronomed and instead sell such shares to an arm's length third party, at the Breeze Vendors' sole option, we have agreed to: (a) pay to the Breeze Vendors COP$700 million (approximately USD$199,829); (b) pay to the Breeze Vendors 5% of the proceeds from the sale of such shares to the third party; or (c) transfer 10% of such shares to the Breeze Vendors with eight business days' notice of any such decision.

On December 18, 2020, we acquired 100% of Cronomed, pursuant to a the Cronomed Purchase Agreement with Luis Gerardo Tovar Osorio, Lucelida Castañeda de Corredor, Inversiones Multicentro S.A.S., Adriana Elizabeth Pérez Medina, Angie Zulanny Jiménez Castellanos, Diego Fernando Ramírez Pardo, Orladis Acero de Ospina, Mary Luz Gonzales Cortés, Olga Lucia Ruge León, Pharmades S.A.S., María Yolima Pedraza Moreno, Diana Patricia Elizalde Arias, Jair Fernely Osuna López and Inversiones Montearroyo Asociados S.A.S. (the "**Cronomed Vendors**"). Pursuant to the Cronomed Purchase Agreement, we acquired 134 shares of Cronomed (the "**Cronomed Shares**"). As consideration for the Cronomed Shares, we agreed to pay COP$3,468,631,200 (approximately USD$ 992,000) to the Cronomed Vendors in the percentages set forth in the Cronomed Purchase Agreement.

On December 29, 2020, we were assigned: (i) a 10% membership interest in Flora Beauty (5% owned by Andrés Restrepo and 5% owned by Luis Merchan); (ii) a 10% membership interest in Hemp Textiles owned by Luis Merchan; and (iii) a 20% membership interest in Hemp Textiles SAS (5% owned by Santiago Mora Bahamón, 5% owned by Luis Merchan and 10% owned by Nicolás Vásquez). As consideration for the assignment of such membership interests, we granted 190,000 Flora Shares (on pre-split basis), and 63,333 Flora Shares (on a post-split basis) to Mr. Restrepo; 190,000 shares Flora Shares (on pre-split basis), and 63,333 Flora Shares (on a post-split basis) to Mr. Vazquez; 95,000 Flora Shares (on a pre-split basis), and 31,667 Flora Shares (on a post-split basis) to Mr. Bahamón; and paid US$300 to Mr. Merchan, who was appointed as the President and Chief Executive Officer by the Flora Board on December 16, 2020.

Recent Developments

Prospective Reverse Split and Consolidation

On March 8, 2021, the Flora Board and stockholders approved a prospective reverse split and consolidation of the Flora Shares in a range of 2 and 7 for 1. Flora anticipates a reverse split ratio of 1-for-3. Once effected, the reverse split and consolidation would combine each three outstanding Flora Shares into one post-split Flora Share and would correspondingly adjust the conversion prices of our convertible securities. No fractional shares are expected to be issued in connection with the reverse split and consolidation, and any fractional shares resulting from the reverse split and consolidation are expected to be rounded down to the nearest whole share. All references to Flora Shares, Flora Options, restricted stock, share data, per share data and related information will be retroactively adjusted, where applicable, to reflect the anticipated reverse split and consolidation of the Flora Shares as if it had occurred at the beginning of the earliest period presented. Reference to "post-split" below are references to the number of Flora

Shares after giving effect to this split. The Flora Board may abandon the prospective share consolidation at any time without further approval or action by the Flora Shareholders.

Completed Acquisitions

Effective December 29, 2020, we acquired (i) a 90% equity interest in Kasa pursuant to the Kasa Purchase Agreement; (ii) a 90% equity interest in Breeze pursuant to the Breeze Purchase Agreement; and effective December 18, 2020 we acquired a 100% equity interest in Cronomed pursuant to the Cronomed Purchase Agreement.

On January 12, 2021, Flora acquired certain assets from Quipropharma. The purchase price is COP$1,200,000,000 (US$350,000) which has been fully paid Flora also entered into an agreement with Quipropharma to purchase certain real estate assets for at total of COP$3,940,000,000 (US$1,143,000). Subsequent to year end Flora advanced COP$1,300,000,000 (US$377,000) related to the real estate acquisition.

Assignment of Interests

On December 29, 2020, we were assigned: (i) a 10% membership interest in Flora Beauty (5% owned by Andrés Restrepo and 5% owned by Luis Merchan); (ii) a 10% membership interest in Hemp Textiles owned by Luis Merchan; and (iii) a 20% membership interest in Hemp Textiles SAS (5% owned by Santiago Mora Bahamón, 5% owned by Luis Merchan and 10% owned by Nicolás Vásquez). As consideration for the assignment of such membership interests, we granted 190,000 Flora Shares (on pre-split basis), and 63,333 Flora Shares (on a post-split basis) to Mr. Restrepo; 190,000 Flora Shares (on pre-split basis), and 63,333 Flora Shares (on a post-split basis) to Mr. Vazquez; 95,000 Flora Shares (on a pre-split basis), and 31,667 Flora Shares (on a post-split basis) to Mr. Bahamón; and paid $300 to Mr. Merchan, who was appointed as the President and Chief Executive Officer by the Flora Board on December 16, 2020.

Covid-19

Flora's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease and other unforeseen events, including the recent outbreak of a respiratory illness caused by Covid-19 and the related economic repercussions. Flora cannot accurately predict the effects Covid-19 will have on its operations and the ability of others to meet their obligations with Flora, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

Agricultural activity has been declared as an essential activity in Colombia. Cosechemos is operating under a protocol authorized by the Colombian government.

At the farm in Santander, all employees receive a new mask and a new set of surgical gloves daily. Hand sanitizer is provided and hand washing protocols are in place. The employees are also provided a transparent face protection mask, which is replaced every 30 days. All employees have their temperature taken three times daily and must report to the Health and Safety office if they are experiencing any symptoms, including diarrhea, cough, runny nose, or headache. If an employee reports any of these symptoms, the employee is sent home to isolate for 14 days, if the symptoms persist for 72 hours, the employee is required to go to a hospital.

The farm is located in a rural area, and there have been no positive cases of Covid-19 reported to date. The province in which the farm is located has reported 475 cases across a population of 2,340,765 to date.

Our staff from the Bogotá office have been working from home since March 25, 2020, and staff from the Toronto office have also been working from home since March 17, 2020.

To date, there have been five reported cases of Covid-19 amongst our staff, with all 5 being completely recovered.

Results of Operations

Year Ended December 31, 2020 for Flora as compared with the period from March 13, 2019 (inception) to December 31, 2019.

The following table sets forth key components of our results of operations for the year ended December 31, 2020 for Flora as compared with the period from March 13, 2019 (inception) to December 31, 2019.

Consolidated Statements of Loss and Comprehensive Loss

(In thousands of United States dollars, except per share amounts which are in thousands of shares)	**For the Year Ended December 31, 2020**	March 13, 2019 (inception) through December 31, 2019
Revenues	**106**	-
Cost of sales	**35**	-
Gross profit	**71**	-
Expenses		
Consulting and management fees	**4,752**	2,001
Professional fees	**794**	183
General office expenses	**1,400**	175
Travel expenses	**428**	306
Share based compensation	**4,901**	107
Depreciation and amortization	**113**	26
Research and development	**78**	21
Foreign exchange (gain)	**20**	6
Total expenses	**12,486**	2,825
Loss before the undernoted items	**(12,415)**	(2,825)
Goodwill impairment	**1,816**	-
Interest expense	**30**	19
Transaction costs	**132**	-
Other income	**(59)**	-
Net loss for the period	**(14,334)**	(2,844)
Other comprehensive loss		
Exchange differences on foreign operations	**(16)**	(23)
Total comprehensive loss for the period	**(14,350)**	(2,821)

Revenue

To date, we have generated minimal revenues from our planned operations. We generated US$106,000 in revenues for the year ended December 31, 2020. We have a very limited operating history upon which to base an evaluation of our business and prospects. Our short operating history may hinder our ability to successfully meet our objectives and makes it difficult for potential investors to evaluate our business or prospective operations.

Net Loss

For the year ended December 31, 2020, we reported a net loss of US$14,334,363 (for the period from March 13, 2019 (inception) to December 31, 2019 - US$2,844,111) or US$0.16 per share (for the period from March 13, 2019 (inception) to December 31, 2019 - US$0.06 per share). We had a working capital of US$14,888,184 as at December 31, 2020 (2019 – working capital deficit of US$1,770,818).

On March 15, 2019, we granted 7,000,000 founder warrants of Flora (2,333,333 founder warrants on a post-split basis) to executive officers and directors with an exercise price of US$0.05 per Flora Share. The fair market value of the warrants was estimated to be US$21,154 using the Black Scholes option pricing model. On June 28, 2019, we also granted 7,000,000 Flora Options (2,333,333 Flora Options on a post-split basis) to directors, officers and consultants

of Flora with an exercise price of US$0.05 per Flora Share. The Flora Options vested immediately. The fair market value of the Flora Options was estimated to be US$85,870 using the Black Scholes option pricing model.

We have and expect to continue to report negative earnings until our cannabis development program finds and develops producing assets. We will continue to utilize proceeds from financing and equity issuances to fund our cannabis program and general and administrative operating costs.

Goodwill Impairment

Goodwill impairment was US$1,816,000 for the year ended December 31, 2020 (2019 – nil), which was related to the goodwill acquired on the Kasa, Breeze and Cronomed acquisitions.

Research and Development Expenses

Our research and development expenses were US$78,480 for the year ended December 31, 2020 (for the period from March 13, 2019 (inception) to December 31, 2019 - US$21,040). Research and development expenses to date consist primarily of contract research fees, manufacturing, consultant fees, and study related costs related to cultivation of cannabis in Colombia.

We provided funding to Cosechemos for the research and development of producing medicinal CBD oil.

Consulting and Management Fees

We recorded consulting and management fees of US$4,752,368 for the year ended December 31, 2020 (for the period from March 13, 2019 (inception) to December 31, 2019 - US$2,000,508). On December 22, 2020, Flora issued 4,000,000 (1,333,333 Flora Shares on a post-split basis) Flora Shares to the Chief Executive Officer of Flora, valued at US$2,560,000 based on the estimated current stock price of US$0.64 per Flora Share. On June 27, 2019, we granted bonuses of US$1,400,000 to our consultants, directors and officers. The bonuses were settled by the issuance of 70,000,000 Flora Shares (23,333,333 Flora Shares on a post-split basis) at a price of US$0.02 per share for a value of US$1,400,000 based on the value of services agreed upon by us and our consultants, directors, officers. Of the 70,000,000 Flora Shares (23,333,333 Flora Shares on a post-split basis) issued, a total of 14,950,000 Flora Shares (4,983,333 Flora Shares on a post-split basis) with a value of US$299,000 were granted to our directors and officers.

Professional Fees

We recorded professional fees of US$794,240 for the year ended December 31, 2020 (for the period from March 13, 2019 (inception) to December 31, 2019 - US$182,900). Most of the fees relate to legal and audit fees to prepare the Regulation A+ Tier 2 materials related to the Regulation A Offering.

General and Administrative and Travel Expenses

General and administrative expenses of US$1,400,280 for the year ended December 31, 2020 (for the period from March 13, 2019 (inception) to December 31, 2019 - US$175,296) were related to filing fees for the Regulation A+ Tier 2 materials for the Regulation A Offering, rent and promotion costs. We recorded US$427,742 for the year ended December 31, 2020 (for the period from March 13, 2019 (inception) to December 31, 2019 - US$305,874) in travel expenses for various trips related to the subsidiaries and Flora’s promotion.

Liquidity and Capital Resources

The following table sets forth the major components of our statements and consolidated statements of cash flows for the periods presented.

(in thousands of United States dollars)	For the Year Ended December 31, 2020	For the period from March 13, 2019 (inception) to December 31, 2019
Cash from operating activities	(8,421)	(454)
Cash from financing activities	25,816	1,005
Cash from investing activities	(2,164)	(431)
Effect of exchange rate change	152	20
Change in cash during the period	15,383	140
Cash, beginning of period	140	-
Cash, end of period	15,523	140

As at December 31, 2020 , we had working capital of US$14,888,184 . Our primary cash flow needs are for the development of our cannabis activities, administrative expenses and for general working capital.

At present, we have not had any production and consequently no revenue generating assets or operations. Our continued existence is dependent on our ability to obtain necessary financing to complete the development of our cannabis operations and/or other potential projects and attain future profitable production. At present, we have no established sources of income and the success of our growth and development programs will be contingent upon our ability to raise sufficient equity financing on favorable terms. We do not expect to generate any internal cash flows to finance the development costs in the foreseeable future.

Regulation A Offering

We raised US$29,997,195 under the Regulation A Offering under Tier 2 of Regulation A under Section 3(b) of the U.S. Securities Act that closed upon the sale of the maximum units in December 2020. Each Reg A Unit is comprised of one Flora Share and one-half of one common share purchase warrant of Flora at an exercise price of US$1.00 per whole Flora Share (US$3.00 on a post-split basis), subject to certain adjustments, over an 18-month exercise period following the date of issuance of the Flora Share. The Reg A Units were offered at a purchase price of US$0.75 (US$2.25 on a post-split basis) per Reg A Unit.

Sanaty Loan

As at December 31, 2020, Flora had provided a loan of US$224,000 to Sanaty. The purpose of making this loan was to provide working capital to Sanaty as a potential acquisition target. The loan is unsecured, non-interest bearing and due on demand. Imputed interest of US$6,000 was not considered significant. Sanaty is 28% owned indirectly by Medivolve Inc. Deborah Battiston is the Chief Financial Officer of Flora and is also the Chief Financial Officer of Medivolve Inc.

Quiprofarma Advance

As at December 31, 2020, Flora had provided an advance of US$78,000 to Quipropharma. The purpose of making this advance was for a prepayment of the purchase price on the asset acquisition that was closed subsequent to December 31, 2020.

QuestCap Loan

On August 6, 2019, we entered into a loan agreement with QuestCap Inc. (formerly Copper One Inc.), as amended on September 12, 2019, for a loan to us of up to US$500,000 of which US$497,514 of principal was drawn down by us in borrowings prior to repayment (December 31, 2019 - US$497,514). The loan is a United States dollar loan which

bears interest at 10% annually, is unsecured, and is payable on demand. As at December 31, 2019, the interest payable on the loan was US$15,784. Stan Bharti and Deborah Battiston director and Chief Financial Officer, respectively, of Flora and of QuestCap Inc. These funds were sent to provide support to Cosechemos and to provide working capital for Flora. On January 31, 2020, the loan was repaid in the amount of US$521,341; US$497,514 to principal and US$23,827 to interest.

Sulliden Mining Capital Loan

On November 6, 2019 we entered into a loan agreement with Sulliden Mining Capital Inc. for a loan to us of up to US$525,000 of which US$501,941 of principal was drawn down by us in borrowings prior to repayment (December 31, 2019 - US$495,613). The loan is a United States dollar loan which bears interest at 12% annually, is unsecured, and was due on March 31, 2020. As at December 31, 2019, the interest payable on the loan was US$3,681. Stan Bharti and Deborah Battiston director and Chief Financial Officer, respectively, of Flora and Interim Chief Executive Officer and former Chief Financial Officer, respectively of Sulliden Mining. These funds were sent to provide support to Cosechemos and to provide working capital for Flora. On January 31, 2020, the loan was repaid in the amount of US$510,557; US$501,941 to principal and US$8,616 to interest.

Q Gold Resources Loan

On June 18, 2019, we entered into a loan agreement in favor of Q Gold for an amount of US$16,667. The loan bears interest at 10% annually, is unsecured, and is payable on demand. As at December 31, 2019, the interest payable on the loan was US$895. Deborah Battiston is the Chief Financial Officer and Fred Leigh is a former director of the Company. Deborah Battiston is the Chief Financial Officer and Fred Leigh is the former Chief Executive Officer and a former director of Q Gold. These funds were sent to provide support to Cosechemos and to provide working capital for Flora. On March 6, 2020, the loan was repaid in the amount of US$17,637; US$16,667 to principal and US$970 to interest.

Kasa Loan

On January 1, 2020, a loan was outstanding to Kasa. The loan accrues interest with an annual interest rate of 5%, is unsecured, and is payable on demand. As at June 30, 2020, we have a loan receivable of US$218,324 (December 31, 2019 - US$91,087) of which US$216,000 (December 31, 2019 - US$91,000) is principal and US$2,324 (December 31, 2019 - US$87) is interest. The purpose for the loan was to provide working capital prior to the completion of the acquisition.

Newdene Loan

On February 12, 2020, we made a loan of US$1,000,000 to Newdene Gold Inc. The loan accrues interest with an annual interest rate of 6% and is payable six months following the closing date of February 12, 2020. The loan is secured by a securities pledge agreement in favor of Flora creating a security interest of 2,000,000 Flora Shares (666,667 Flora Shares on a post-split basis). On November 23, 2020, the loan of US$1,000,000 plus interest of US$47,000 was repaid in full.

Consultancies Loan

On April 17, 2020, we made a loan of CAD$100,000 (US$70,811) to Consultancies and Consultancies of Latam by GM LLC. The loan accrues interest with an annual interest rate of 5% and is payable sixty days following the closing date of April 17, 2020. The loan to Consultancies and Consultancies of Latam by GM LLC of CAD$100,000 (US$70,811) plus interest of US$2,000 has been repaid in full via services provided.

We do not pay dividends and, other than the debt discussed above, had no long-term debt or bank facilities, other than our lease liability.

Plan of Operations

During 2019 and 2020, we operated a 2-hectare Pilot Program at the Cosechemos Farm. Pursuant to the Pilot Program, we have constructed one nursery and propagation center (an aggregate of 1,000 square meters) at the Cosechemos farm where we planted 7,800 seedlings of non-psychoactive cannabis. We harvested and processed the non-psychoactive cannabis from the Pilot Program resulting in a defined budget for dry flower productivity per plant and stabilization of certain genetic strains for our planned commercial cannabis production. The Pilot Program assisted management in establishing what management believes is a viable agronomic management plan for cultivation in the Colombian geographic, organic and outdoor conditions.

We continually evaluate our plan of operations to determine the manner in which we can most effectively utilize our limited cash resources. The timing of completion of any aspect of our plan of operations is highly dependent upon the availability of cash to implement that aspect of the plan and other factors beyond our control. There is no assurance that we will successfully obtain the required capital or revenues, or, if obtained, that the amounts will be sufficient to fund our ongoing operations.

Critical Accounting Policies

Our financial statements were prepared in accordance with IFRS, as issued by IASB and interpretations of the IFRIC. The preparation of interim financial statements in accordance with IAS 34, Interim Financial Reporting, requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying our accounting policies.

Recent Accounting Pronouncements

Accounting pronouncements not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2019 or later periods. The following have not yet been adopted and are being evaluated to determine their impact on Flora.

- IFRS 3 was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

For acquisitions that do not meet the definition of a business under IFRS 3, Flora follows IAS 37 and IAS 38 guidelines for asset acquisition, where the consideration paid is allocated to assets acquired based on fair values on the acquisition date and transactions costs are capitalized and allocated to the assets acquired.

- IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

Trend Information

Because we are still in the start-up phase and have only recently commenced operations, we are unable to identify any recent trends in revenue or expenses. Thus, we are unable to identify any known trends, uncertainties, demands,

commitments or events involving our business that are reasonably likely to have a material effect on our revenues, income from operations, profitability, liquidity or capital resources, or that would cause the reported financial information in this offering to not be indicative of future operating results or financial condition.

Restatement Disclosure

In December 2020, we engaged Davidson as our new PCAOB registered accounting firm to audit our financial statements. As part of a re-audit conducted by Davidson of our financial statements for the period March 13, 2019 (inception), to December 31, 2019, under PCAOB auditing standards, we have included disclosures in the audited financial statements related to changes in expenditures that were not appropriately recorded and warrants of the Flora that were revalued. For our unaudited financial statements for the interim period ended June 30, 2020, we have revised the unaudited financial statements to include the above disclosures in addition to changes to foreign currency translation of intangible assets and net assets and net losses impacted by the consolidation of Flora Beauty.

Our audit committee and the Flora Board have concluded that the restatements are quantitatively and qualitatively immaterial, that the weakness in our recording has been remedied through our hiring of additional accounting personnel in Canada and Colombia and that all previously issued financial statements may be relied upon.

Off Balance Sheet Arrangements

We did not have, during the periods presented, and we do not currently have, any off-balance sheet arrangements.

Capital Expenditures

We do not have any contractual obligations for ongoing capital expenditures at this time.

Contractual Obligations, Commitments and Contingencies

The following table sets forth the amount of our contractual obligations as of December 31, 2020.

(In thousands of United States dollars)	Total	Less than 1 year	1 - 3 years	More than 3 years
Long-term debt obligations	-	-	-	-
Capital (finance) lease obligations	395	107	288	-
Operating lease obligations	-	-	-	-
Purchase obligations	-	-	-	-
Other long-term liabilities reflected on our balance sheet	-	-	-	-
Total	395	107	288	-

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to us, but which will only be resolved when one or more future events occur or fail to occur. Our management, in consultation with its legal counsel as appropriate, assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against us or unasserted claims that may result in such proceedings, we, in consultation with legal counsel, evaluate the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in our financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. We are not aware of any matters which result in a loss contingency.

Emerging Growth Company Status

We are an Emerging Growth Company, as defined in Section 2(a) of the U.S. Securities Act, as modified by the JOBS Act. As such, we are eligible to take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to SEC reporting companies that are not emerging growth companies. For so long as we remain an emerging growth company, we will not be required to, among other things:

- present more than two years of audited financial statements and two years of related selected financial data and management's discussion and analysis of financial condition and results of operations disclosure in our registration statement of which this prospectus forms a part;

- have an auditor report on our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; and

- disclose certain executive compensation related items.

We will remain an Emerging Growth Company until the earlier of: (i) the last day of the fiscal year following the fifth anniversary of the completion of Flora's IPO; (ii) the last day of the fiscal year during which we have total annual gross revenue of at least US$1.07 billion; (iii) the date on which we are deemed to be a Large Accelerated Filer under the U.S. Exchange Act, which means the market value of the Flora Shares that are held by non-affiliates exceeds US$700.0 million as of the last business day of our most recently completed second fiscal quarter; and (iv) the date on which we have issued more than US$1.0 billion in non-convertible debt during the prior three-year period.

DESCRIPTION OF FLORA'S SECURITIES

Flora Shares

The Flora Shares have no par value and Flora is authorized to issue an unlimited number of Flora Shares. As at November 11, 2022, 78,345,883 Flora Shares were issued and outstanding.

Rights, Preferences, Restrictions Attaching to the Flora Shares

The OBCA and Flora's articles of incorporation provide the following rights, privileges, restrictions and conditions attaching to the Flora Shares:

- to vote at meetings of shareholders, except meetings at which only holders of a specified class of shares are entitled to vote;

- subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of Flora, to share equally in the remaining property of Flora on liquidation, dissolution or winding-up of Flora; and

- the Flora Shares are entitled to receive dividends if, as, and when declared by the Flora Board.

CONSOLIDATED CAPITALIZATION

Other than as set out herein, there have been no material changes to Flora's share and loan capital, on a consolidated basis, since December 31, 2021. For information regarding the consolidated capitalization of Flora Growth, both before and after giving *pro forma* effect to the Arrangement, see "*Flora Growth Upon Completion of the Arrangement – Pro Forma Consolidated Capitalization*" in the body of the Circular.

OPTIONS TO PURCHASE SECURITIES

The following table sets forth the aggregate number of Flora Shares issuable under Flora Options as at the date of the Circular:

Holder of Flora Options	Flora Shares Under Flora Options Granted	Exercise Price (US$/Flora Share)	Grant Date	Expiry Date
Executive officers and former executive officers of Flora as a group	2,361,122	$0.15 to $6.90	11/04/20 to 10/05/22	11/04/25 to 01/26/27
Executive officers and former executive officers of all subsidiaries of Flora as a group, excluding those listed directly above	Nil	Nil	Nil	Nil
Directors and former directors of Flora (who are not also officers) as a group	1,983,331	$0.15 to $3.87	06/28/19 to 08/18/22	06/28/24 tp 08/18/32
Directors and former directors of all subsidiaries of Flora as a group, excluding those listed directly above	Nil	Nil	Nil	Nil
Other employees and former employees of Flora as a group	972,497	$0.15 to $6.90	06/28/19 to 10/05/22	06/28/24 to 10/05/32
Other employees and former employees of all subsidiaries of Flora as a group	Nil	Nil	Nil	Nil
Consultants of Flora as a group	791,134	$0.15 to $6.90	06/28/19 to 01/26/22	06/28/24 to 01/26/27
Total – All Flora Options	6,108,084	$0.15 to $6.90	06/28/19 to 10/05/22	06/28/24 to 10/05/32

PRIOR SALES

Flora Securities

The following table sets forth the number of Flora Shares, and securities that are convertible into Flora Shares, issued by Flora during the 12-month period prior to the date of the Circular.

Date Issued	Type of Security	Amount Issued	Price per Security/Exercise Price (US$)
November 15, 2021	Flora Shares[1]	4,557,318	$4.75
November 24, 2021	Flora Shares[2]	11,500,000	$3.00
November 24, 2021	Flora Warrants[3]	5,750,000	$3.75
November 24, 2021	Flora Warrants[4]	460,000	$3.30
December 16, 2021	Flora Options[5]	1,640,000	$2.04
January 18, 2022	Flora Shares[6]	100,000	$1.70
January 18, 2022	Flora Options[6]	50,000	$1.70
January 26, 2022	Flora Options[7]	287,217	$1.48
January 31, 2022	Flora Shares[8]	30,282	$1.70
January 31, 2022	Flora Shares[9]	111,112	$1.70

February 24, 2022	Flora Shares[10]	9,500,000	$1.82
April 5, 2022	Flora Shares[11]	700,000	$1.79
May 16, 2022	Flora Options[12]	50,000	$.130
August 18, 2022	Flora Options[13]	275,000	$0.93
August 23, 2022	Flora Shares[14]	510,000	$0.98
September 12, 2022	Flora Shares[15]	260,000	$1.25
October 5, 2022	Flora Shares[16]	966,414	$0.67
October 5, 2022	Flora Options[17]	1,060,203	$0.67

Notes:

1. Issued as part of the purchase price payable by Flora in connection with the acquisition of VBI.
2. Issued to investors in connection with Flora's follow-on public offering.
3. Issued to investors in connection with Flora's follow-on public offering.
4. Issued to underwriters in connection with Flora's follow-on public offering.
5. Issued to directors, officers and employees of Flora.
6. Issued to acquire the remaining 10% of the outstanding equity interest in Flora Beauty from its minority shareholders.
7. Issued to directors, officers and employees of Flora.
8. Issued to complete Flora's acquisition of Breeze by acquiring the remaining 10% of the equity interest in Breeze from its minority shareholders.
9. Issued pursuant to an amendment to a consulting agreement entered into between Flora and Laura Londono.
10. Issued as part of the purchase price payable by Flora in connection with the acquisition of JBL and HRPL by Flora Growth U.S. Holdings Corp.
11. Issued pursuant to the Settlement Agreement entered into between Flora and Boustead.
12. Issued to Holly Bell.
13. Issued to directors, officers and employees of Flora.
14. Issued to certain officers of Flora pursuant to the Flora's incentive compensation plan.
15. Issued to certain employees and consultants of Flora pursuant to Flora's incentive compensation plan.
16. Issued to certain officers and employees of Flora pursuant to Flora's incentive compensation plan.
17. Issued to directors, officers and employees of Flora.

TRADING PRICE AND VOLUME

The Flora Shares trade on the Nasdaq under the symbol "FLGC". See below for the reported high and low prices (including intra-day prices) and the total volume of trading of the Flora Shares on the Nasdaq, in United States dollars, on a monthly basis for the past 12 months:

	High US$	Low US$	Total Volume
November 2021	$5.61	$1.90	38,250,198
December 2021	$2.26	$1.68	17,002,658
January 2022	$2.36	$1.31	44,696,209
February 2022	$2.08	$1.57	13,688,446
March 2022	$2.38	$1.57	26,172,272
April 2022	$2.06	$1.43	9,512,880
May 2022	$1.63	$0.95	11,427,986
June 2022	$1.05	$0.61	24,725,867
July 2022	$0.74	$0.59	11,890,921
August 2022	$1.05	$0.62	14,032,949
September 2022	$1.27	$0.64	9,413,852
October 2022	$0.82	$0.50	11,120,460
November 1-11, 2022	$0.64	$0.50	3,546,497

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

As of November 7, 2022, Flora has the following securities in escrow or that are subject to a contractual restriction on transfer:

Designation of Class	Number of Securities Held in Escrow or that are Subject to a Contractual Restriction on Transfer	Percentage of Class
Flora Shares	2,766,667[1]	3.53%

Note:

1. Flora Shares are subject to contractual escrow pursuant to an escrow agreement entered into on February 24, 2022 among Flora, certain Flora Shareholders and Continental Stock Transfer & Trust Company, as escrow agent, in connection with the Just Brands Agreement. See "*General Development of Flora's Business – Material Contracts*" for more information. Such Flora Shares will be released from escrow on in accordance with the Just Brands Agreement. For further information, please refer to "*General Development of Flora's Business – Material Contracts*" of this Appendix "F".

PRINCIPAL SECURITYHOLDERS

As at the date hereof, and to the knowledge of Flora's directors and officers, no person or corporation beneficially owns, directly or indirectly, or exercises control or direction over, Flora Shares carrying more than 10% of the voting rights attached to the Flora Shares.

DIRECTORS AND EXECUTIVE OFFICERS

Name, Address, Occupation and Security Holdings

The following table sets out the Flora directors and officers as at the date hereof, together with the state and country of residence, positions and offices held, principal occupations during the last 5 years, the years in which they were first appointed as directors and/or officers of Flora and the number of Flora Shares owned, directly or indirectly, legally or beneficially, or over which control or discretion is exercised by them, as of the Record Date.

Each of Flora's directors holds office until the close of the next annual meeting of shareholders or until their successors are elected or appointed, as the case may be, unless his or her office is earlier vacated in accordance with the articles of the Corporation or the provisions of the *OBCA*. Flora's executive officers are not subject to term limits.

Name and Place of Residence	Position held at Flora	Principal Occupation[(1)]	Director/Officer since	Number of Flora Shares Held[(2)] (Percentage Held)
Luis Merchan Florida, United States	President, Chief Executive Officer and Chairman of the Flora Board	Chief Executive Officer and President, Flora, December 2020 to Present; Board Member, Hoshi International Inc.; Advisory Council Member, Hispanic Scholarship Fund; Advisory Council Member, Mercy College Business School; Vice President of Workforce Strategy and Operations, Macy's Inc. from January 2020 to July 2020.	December 16, 2020 (Chief Executive Officer and President); March 15, 2022 (Chairman of the Board)	1,506,233 (1.92%)

Name and Place of Residence	Position held at Flora	Principal Occupation[1]	Director/Officer since	Number of Flora Shares Held[2] (Percentage Held)
Elshad Garayev Illinois, United States	Chief Financial Officer	Chief Financial Officer, Flora, August 15, 2022 to Present; Principal North American Consumer ACES Finance, Amazon since January 2022; Chief Financial Officer, RPK Capital from July 15, 2015 to December 2022.	August 15, 2022	Nil
James Choe California, United States	Chief Strategy Officer	Chief Strategy Officer, Flora, March 1, 2022 to Present; Co-Founder and Chief Executive Officer, VBI from September 2017 to November 2021; Found and Managing Partner, DRVN Partners from June 2015 to December 2019; Chief Strategy Officer then Strategic Advisor, GuardLab from June 2014 to December 2018.	March 1, 2022	1,240,443 (1.58%)
Matthew Cohen Florida, United States	Secretary and General Counsel	General Counsel, Flora, March 1, 2022 to Present; Secretary, Flora, July 31, 2022 to Present; General Counsel, Playa Hotels & Resorts from October 2018 to January 2020; Corporate Counsel, Playa Hotels & Resorts from March 2018 to October 2018.	March 1, 2022 (General Counsel); July 31, 2022 (Secretary)	238,905 (0.30%)
Jason Warnock Alberta, Canada	Chief Commercial Officer	Chief Commercial Officer, Flora, March 1, 2022 to Present; Chief Revenue Officer, Flora from June 2021 to March 2022; Chief Executive Officer, TheraCann International Benchmark Corporation from March 2017 to September 2019.	June 8, 2021 (Chief Revenue Officer); March 1, 2022 (Chief Commercial Officer)	202,823 (0.26%)
Jessie Casner California, United States	Chief Marketing Officer	Chief Marketing Officer, Flora, March 1, 2021 to Present; Marketing and Sales, VBI from September 2019 to November 2021.	March 1, 2021	166,502 (0.21%)
John Timothy Leslie[3][5] Washington, United States	Non-Executive Director	Board Member, Endocanna Health Inc.; Board Member, New Frontier Data; Executive in Residence, Beloit College; Chief Executive Officer, Leafly Inc. from February 2019 to September 2020; Board Chairman, Leafly Inc. from February 2019 to August 2019; Vice President, Prime Video International from August 2013 to January 2019.	March 15, 2022	13,574 (0.02%)

Name and Place of Residence	Position held at Flora	Principal Occupation[1]	Director/Officer since	Number of Flora Shares Held[2] (Percentage Held)
Dr. Beverley Richardson[4] Vancouver, Canada	Non-Executive Director	Vice President of Science (Research and Development), Phytology Nutraceuticals Ltd. since September 2020; Managing Director, Peyto Enterprises Ltd since March 2013; Managing Director, Legacies Advisory Group Inc. since October 2009.	December 3, 2020	Nil
Juan Carlos Gomez Roa[3][5] Colombia	Non-Executive Director	Chief Executive Officer, Winner Group CIRSA since January 2000.	December 22, 2020	2,093,866 (2.67%)
Dr. Annabelle Manalo-Morgan Texas, United States	Non-Executive Director	Founder and Chief Scientific Officer, Masaya Medical, Inc. since 2019; Lead Scientist, Medolife Rx since 2018.	June 9, 2021	Nil
Marc Mastronardi[4][5] New York, United States	Non-Executive Director	Chief Stores Officer, Macy's Inc. since February 2020; Senior Vice President of Store Operations and Customer Experience, Macy's Inc. from March 2014 to May 2021. Board Member, Delivering Good, NYC; Executive Committee Member, Fashion Scholarship Fund; Executive Sponsor, Macy's Working Families Employee Resource Group.	May 5, 2021	10,000 (0.01%)
Brandon Konigsberg[3][4] New York, United States	Non-Executive Director	President and Chief Financial Officer, TradeUp since 2021; Director and Audit Committee Member, GTJ REIT, Inc. since 2019; Director, Chief of the Compensation Committee and Member of the Audit Committee, Chicago Atlantic Real Estate Finance, Inc. since November 2021; Chief Financial Officer and Chief Operating Officer, JPMC from 1996 to 2020.	July 5, 2022	Nil

Notes:

1. The information as to principal occupation has been furnished by each director and/or officer individually.
2. Includes direct and indirect interests of the directors and their related entities.
3. Member of the Audit Committee
4. Member of the Compensation Committee
5. Member of the Nominating and Corporate Governance Committee.

See *"Audit Committee"* and *"Corporate Governance – Board Committees"* of this Appendix "F".

Biographies

The following biographical information relates to each of the directors and officers of Flora.

Executive Officers

Luis Merchan, President, Chief Executive Officer and Chairman of the Board: Mr. Merchan was appointed Chief Executive Officer of Flora in December 2020, and was appointed Chairman of the Flora Board in March 2022. He brings with him over a decade of experience in corporate strategy, enterprise sales management, merchandising, and executive management. Prior to joining Flora, from June 2013 to July 2020, Mr. Merchan worked at Macy's Inc. (NYSE: M) in various roles of increasing responsibility, most recently as Vice President of Workforce Strategy and Operations at Macy's Inc. from January 2020 to July 2020. While at Macy's, Mr. Merchan developed, implemented, and oversaw a streamlined and efficient workforce strategy for Macy's 540-store portfolio, distribution centers and credit card service centers. During Mr. Merchan's tenure at Macy's, he also led various sales and marketing initiatives, including the B2B corporate sales team that was responsible for US$160 million in annual revenue. Mr. Merchan was awarded the Macy's Chairman Award in 2015, 2016, 2017 and 2018. Mr. Merchan graduated from the Pontifical Xavierian University in Bogotá, Colombia with a B.E. in Industrial Engineering, received his M.B.A. from McNeese State University and a Graduate Certificate in Marketing Management from the Harvard Extension School. Mr. Merchan also serves on the board of directors of Hoshi International, Inc, as an Advisory Council Member for both the Hispanic Scholarship Fund in New York City and the Mercy College Business School.

***Elshad Garayev, Chief Financial Officer*:** Mr. Garayev has over 25 years of experience in financial matters and has held leadership roles in a variety of companies operating in diverse industries. Prior to joining Flora, he served as Principal North America Consumer ACES Finance at Amazon since January 2022, where he led operational initiatives aimed at enhancing controllership and improving vendor management processes. From 2015 through December 2022, Mr. Garayev served as the Chief Financial Officer of RPK Capital, an aviation focused investment firm. From 2006 through 2015, he served in a number of roles for the Boeing Company, including as Chief Financial Officer of its Boeing Saudi Arabia (f/f/a Boeing International Support Systems) subsidiary from 2010 through June 2015. Mr. Garayev is a Certified Public Accountant and earned a degree in Mathematics (with honors) from Baku State University in Azerbaijan in 1993 and his MBA in Finance (with honors) from the University of Houston in 2002.

James Choe, Chief Strategy Officer: Mr. Choe joined Flora in November 2021 following our acquisition of VBI, a company he co-founded and served as Chief Executive Officer since September 2017. In March 2022, Mr. Choe was appointed our Chief Strategy Officer and brings over 20 years of proven leadership and experience, having consulted and advised over 100 brands to date, while he has also led the design, development and successful launch of more than 500+ products across many consumer categories. Prior to co-founding VBI, he was the founder and Managing Partner of DRVN Partners (June 2015 to December 2019), a go-to-market firm with extensive experience developing early-stage companies, specializing in supporting high-growth companies with brand, creative, ecommerce and retail strategy and execution. From June 2014 to December 2018, he served as Chief Strategy Officer, then as Strategic Advisor, at an early-stage venture in NYC, GuardLab, an emerging market disruptor leveraging 3D technology platforms in the development of neuromuscular mouthguards and appliances. From January 2010 to February 2014, Mr. Choe served as Vice President of Sports & Retail Marketing at SKLZ, a global leader in sports training and skill development products. Mr. Choe's early experience with startups began as a Business Development and Field Support Engineer, with broadband pioneer ISP Channel, a subsidiary of Softnet Systems, Inc. in Mountain View, CA (January 1999 to May 2003). From 2006 through 2019, Mr. Choe represented athletes in the Olympics, NFL, MLB, NHL, Lacrosse and Action Sports in all marketing, licensing, endorsement-related endeavors. Originally from Saratoga, California, Choe graduated from San Diego State University with a BA in Economics and now resides in Carlsbad, CA.

***Matthew Cohen, Secretary and General Counsel*:** Mr. Cohen joined Flora in August 2021 as our VP of Legal and was appointed as our General Counsel in March 2022 and our Secretary on July 31, 2022. He is a corporate and securities lawyer with 30 years' experience representing both public and private companies throughout all phases of their corporate life cycle. From October 2018 to January 2020, Mr. Cohen served as General Counsel, and from March 2018 to October 2018 he served as Corporate Counsel to Playa Hotels & Resorts, NV (Nasdaq: PLYA), the owner and operator of all-inclusive hotels throughout Mexico and the Caribbean. Between August 2014 and August 2017, he served as General Counsel for companies engaged in the healthcare, technology and energy industries. From 2001 through 2014, Mr. Cohen served as a Partner/Shareholder in the following law firms: Buchanan Ingersoll & Rooney PC., (2012 to 2014), Thompson & Knight LLP (2008 to 2012) and Eaton & Van Winkle, LLP (2001 to 2008). Mr. Cohen graduated from Emory University with a Bachelor of Arts in Biology and earned his Juris Doctor from Brooklyn Law School.

Jason Warnock, Chief Commercial Officer: Mr. Warnock joined Flora in June 2021 as our Chief Revenue Officer and was appointed our Chief Commercial Officer in March 2022. He is an accomplished global sales leader and executive, bringing more than 20 years of experience driving revenue growth and go-to-market strategy for high-profile, Fortune 500 brands. Mr. Warnock has spent the last 15 years in the cannabis, competitive advertising, communications, and emerging technology fields where his work focused on building companies and brands from the ground up, working on strategic mergers and acquisitions, and creating sustainable, resonant financing and marketing campaigns. Prior to joining Flora, From March 2017 to September 2019, Mr. Warnock served as the Chief Executive Officer of TheraCann International Benchmark Corporation, a global logistics, technology and cannabis management software company. From June 2007 to December 2016, he served as the Chief Executive Officer of Post+Beam, an international communications, innovation and marketing firm. Mr. Warnock has been a leader in sustainable practices and design from his earlier work as a Director with the architectural division of Hunter Douglas (January 2002 – June 2007) where he also chaired the Education and Events committee, Special Programs working group and Education Steering committee for the United States Green Building Council.

Jessie Casner, Chief Marketing Officer: Ms. Casner joined Flora in November 2021 following our acquisition of VBI, where she led marketing and sales from September 2019 until the acquisition. Ms. Casner was appointed our Chief Marketing Officer in March 2022 and brings over a decade of proven experience in omnichannel marketing and storytelling. Prior to VBI, Ms. Casner operated her own marketing agency which developed and executed bespoke go-to-market plans and built over 300 marketing strategies for businesses in diverse sectors. As an early team member of The Active Network during its rapid growth phase (pre-IPO and acquisition), MOGL (now Figg, during series A + B funding), 2XU, and Total Gym, Ms. Casner brings a strong knowledge and background in the CPG, wellness and tech industries.

Non-Executive Directors

John Timothy ("Tim") Leslie, Director**:** Mr. Leslie joined the Flora Board in March 2022. He currently serves as an Executive in Residence at Beloit College as well as an independent management consultant to large technology and retail firms in Latin America and Europe. Previously, Mr. Leslie served as Chief Executive Officer of Leafly Inc., a cannabis information resource and technology company, from February 2019 to September 2020. Mr. Leslie also served as Leafly's Chairman of the Board from February 2019 to August 2019. Prior to his time at Leafly, Mr. Leslie held various roles at Amazon.com for over 20 years, most recently as Vice President, Prime Video International from August 2013 to January 2019. Mr. Leslie also currently serves on the Board of Directors of Endocanna Health, Inc., a cannabis health care company, and New Frontier Data, a cannabis business intelligence company. Mr. Leslie received a Bachelor of Arts in Economics from Beloit College in 1989 and a Juris Doctor from Yale Law School in 1992.

Dr. Beverley Richardson, Director: Dr. Richardson joined the Flora Board in March 2021 and is a renowned psychotherapeutic practitioner whose collaborative efforts and clinical influence are reflected in some of the most compelling and effective addiction and behavioral health programs in North America, which include: Sierra Tucson (Arizona), the Meadows (Arizona) and Betty Ford Center (California). She has a Doctorate Degree in Psychology and is a B.C. Registered Clinical Counselor, Internationally Certified Eating Disorders Specialist, and EMDR Level II Trauma Therapist. Dr. Richardson has integrated her extensive experience in health and wellness with her entrepreneurial spirit to form her nutraceutical and bioscience research and development enterprises. From each of September 2020, March 2013, and October 2009 to the date hereof, Dr. Richardson respectively served as: (i) the Vice President of International Business at Phytorigins Botanicals Ltd., a Canadian biotech company, (ii) the Vice President of Science (Research and Development) at Phytology Nutraceuticals Ltd., a Canadian company focused on the manufacturing and sales of plant based medicines and psychoactive therapeutics, (iii) the managing director of Peyto Enterprises Ltd., a British Columbia company that Dr. Richardson founded operating in the lifestyle industry, and (iv) the managing director of Legacies Advisory Group Inc., a British Columbia consultant agency that Dr. Richardson founded which provides expertise in the planning, development and execution of addiction, behavioral health and wellness programs. Dr. Richardson obtained her Bachelor of Science from the University of Toronto, Master of Science from the University of Pennsylvania, and Doctor of Psychology from California Southern University, graduating magna cum laude.

Juan Carlos Gomez Roa, Director: Mr. Gomez joined the Flora Board in March 2021 and has more than 20 years of experience working in Latin America in the gaming and entertainment industry. Mr. Gomez has been the Chief Executive Officer of Winner Group CIRSA since January 2000 and participated in the acquisition of Winner Group CIRSA by the Blackstone Group in April 2018. He earned his Bachelors Degree in Psychology from St. Thomas University in Colombia. Mr. Gomez is a director of several private companies in Colombia.

Dr. Annabelle Manalo-Morgan, Director: Dr. Manalo-Morgan joined the Flora Board in June 2021 and is a scientist, educator, author, mother of five, and a respected key opinion leader. She is a cell and developmental biologist from Vanderbilt University in Nashville, Tennessee, with a background in neuroscience from Georgetown University. She earned her PhD in Cell and Developmental Biology with a focus in Cardio-Oncology and has since become a philanthropist and entrepreneur focused on pharmaceutical innovation and clinical trial research in medical cannabis. Currently, Dr. Manalo-Morgan has been the founder and Chief Scientific Officer at Masaya Medical, Inc. since 2019 and has served as the lead scientist at Medolife Rx since 2018.

Marc Mastronardi, Director: Mr. Mastronardi joined the Flora Board in May 2021. He has been the Chief Stores Officer of Macy's Inc. (NYSE: M) since February 2020. Prior to his current role, Mr. Mastronardi held multiple roles at Macy's since March 2014, including Macy's Senior Vice President of Store Operations and Customer Experience, where he was responsible for enterprise-wide store operations, sales and customer service. Mr. Mastronardi has also led multiple functions within the organization responsible for the creation and expansion of new business concepts, leased partnerships and diverse, owner-led businesses. He currently serves on the board of Delivering Good, NYC, the executive committee of the Fashion Scholarship Fund, and is the executive sponsor of the Macy's Working Families Employee Resource Group. Mr. Mastronardi is a graduate of Boston College where he earned a Bachelors of Science in Finance and Accounting.

Brandon Konigsberg, Director: Mr. Konigsberg is a seasoned finance leader and a former executive of JPMC. From 1996 through 2020, Mr. Konigsberg held leadership roles in Finance and Treasury and served as a Chief Financial Officer and Chief Operating Officer for various growing and turnaround business units at JPMC. He also managed the company's global balance sheet, liquidity and interest rate risks. After 24 years at JPMC, Mr. Konigsberg retired to focus on consulting, advisory and entrepreneurial ventures. He is currently the President and Chief Financial Officer of TradeUp, an educational finance company which he joined as a consultant in 2021. Since 2019, Mr. Konigsberg has served as a Director and member of the Audit Committee of GTJ REIT, Inc., a public industrial REIT. Since November 2021, he has also served as a Director, Chair of the Compensation Committee and member of the Audit Committee of Chicago Atlantic Real Estate Finance, Inc., a specialty mortgage REIT.

Share Ownership

As at the date hereof, all of the directors and officers, as a group, beneficially own, directly or indirectly, or exercise control or discretion over 5,472,346 Flora Shares, representing approximately 7% of the issued and outstanding Flora Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of Flora, as at the Record Date, no director or executive officer of Flora has, within the 10 years prior to the date hereof, been a director, Chief Executive Officer or Chief Financial Officer of any issuer (including Flora) that: (i) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days while the person was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer; or (ii) was subject to an order that, after the director or executive officer ceased to be a director, Chief Executive Officer or Chief Financial Officer of an issuer, resulted in the issuer being the subject of a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days and which resulted from an event that occurred while that person was acting as a director, Chief Executive Officer or Chief Financial Officer of the issuer.

No current director or officer or securityholder holding a sufficient number of securities of Flora to affect materially the control of Flora has, within the last 10 years prior to the date hereof, been a director or executive officer of any company (including Flora) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency

or was subject to or instituted any proceedings, arrangement for compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No current director or officer or securityholder holding a sufficient number of securities of Flora to affect materially the control of Flora has, within the last 10 years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or securityholder.

No current or proposed director or officer or securityholder holding a sufficient number of securities of Flora to affect materially the control of Flora has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

The directors and officers of Flora are required by law to act in the best interests of Flora. They have the same obligations to the other companies in respect of which they act as directors and officers. Any decision made by any of such officers or directors involving Flora will be made in accordance with their duties and obligations under applicable laws. As of the date hereof, Flora was not aware of any existing or potential material conflicts of interest between Flora and a subsidiary of Flora, a director or officer of Flora or of a subsidiary of Flora.

EXECUTIVE COMPENSATION

The following discussion describes the significant elements of Flora's executive compensation, with particular emphasis on the process for determining compensation payable to Flora's "Named Executive Officers" or "NEOs" for the year ended December 31, 2021, which means each of the following individuals: (i) each individual who, in respect of Flora, during any part of the year ended December 31, 2021, served as the Chief Executive Officer, including an individual performing functions similar to a Chief Executive Officer; (ii) each individual who, in respect of Flora, during any part of the year ended December 31, 2021, served as the Chief Financial Officer, including an individual performing functions similar to a Chief Financial Officer; (iii) in respect of Flora, the three most highly compensated executive officer other than the individuals identified in paragraphs (i) and (ii) at the end of the year ended December 31, 2021 whose total compensation was more than C$150,000; and (iv) each individual who would be an NEO under (iii) but for the fact that the individual was neither an executive officer of Flora, nor acting in a similar capacity, at the end of that financial year. For the purposes of this section, the only NEOs of Flora are Luis Merchan, Chief Executive Officer and Chairman, Lee Leiderman, Former Chief Financial Officer and Jason Warnock, Chief Commercial Officer and former Chief Revenue Officer.

Compensation Philosophy and Objectives

For the fiscal year ended December 31, 2021, the objectives of Flora's compensation strategy were to ensure that compensation for its executive officers was sufficiently attractive to recruit, retain and motivate high performing individuals to assist Flora in achieving its goals. During 2021, in light of Flora's size and scope of operations, the process for determining executive compensation was relatively informal. For 2021, in consultation with our Chief Financial Officer, our Compensation Committee made recommendations with respect to amounts of executive compensation to the Flora Board, and the Flora Board approved all compensation to our executive officers.

During the fourth quarter of 2021, the Compensation Committee engaged AETHOS, a nationally recognized consulting firm, to provide independent research, evaluation and advice related to our 2022 compensation policies for our directors and executive officers and provide recommendations regarding various compensation decisions to be made by the Compensation Committee. Our executive compensation programs are designed to attract and retain highly-qualified executive officers, compensate them for performance in alignment with shareholder interests and support our business strategy by aligning pay with performance, providing market-competitive opportunities and managing costs. Our programs are designed to provide executives with meaningful award opportunities and realized

pay which is tied to the achievement of ambitious financial and strategic objectives. In line with this, our programs are designed to:

- Attract, retain and motivate executives who are capable of advancing our long-term strategy;
- Provide at-risk, or variable, pay as a substantial component of our NEOs' target total direct compensation in the form of annual and long-term incentive awards that are earned, or increase or decrease in value, based on Flora and its stock performance;
- Align shareholder and executive interest with performance-based share awards using Total Shareholder Return and CAGR share price growth as performance metrics; and
- Mitigate compensation costs with program designs that consider the finances behind them, such as accounting impacts, cash flow and share usage.

Elements of NEO Compensation

Component	Description	Objective
Base Salary	Fixed component of compensation paid at regular intervals.	Base salary is designed to compensate our NEOs at a competitive, fixed level to ensure they do not risk short or long-term results for greater variable pay, in addition to serving as a retention tool.
Management Incentive Plan	Short-term cash incentive plan tied to annual performance against pre-established revenue, EBITDA and/or other objectives the Compensation Committee believes support sustained long-term performance.	Aligns annual cash compensation opportunities with business strategy that motivates and rewards achievement of annual financial, operational, and individual goals.
Long-Term Equity Incentives	A mix of performance-based and time-based awards. The performance-based awards typically have a performance measurement period of three years, and time vested awards typically vest over three years subject to continued service with Flora.	Motivates NEOs to focus on sustained financial performance and longer-term value creation. Aligns executive and shareholder interests, and long-term strategy with long-term performance. Multi-year vesting periods aid in retention.

Compensation Process

The Compensation Committee of the Flora Board, which consists entirely of independent directors, is responsible for determining the compensation of our NEOs. The factors considered by the Compensation Committee include:

- *View of Flora Board and Chief Executive Officer*: The Compensation Committee solicits the views of the Flora Board on compensation of all NEOs, particularly for Mr. Merchan. The Compensation Committee solicits the views and recommendations of Mr. Merchan with respect to the compensation of all other NEOs.
- *Input of the Independent Compensation Consultant*: The Compensation Committee approved the retention of AETHOS as its independent compensation consultant. AETHOS has provided the Compensation Committee compensation advice independent of the Flora's management. The Compensation Committee has sole authority to retain and terminate the independent compensation consultant. Under the Compensation Committee's direction, AETHOS periodically interacted with members of Flora's senior executive team to provide insight into industry practices and market trends.
- *Peer Group Analyses*: Flora has few public company competitors with its specific business model. To ensure that we attract, retain and motivate our executive team in a competitive talent market, the Compensation

Committee regularly examines pay practices from, and pay data for executives within, a peer group of publicly-traded companies. The Compensation Committee, in conjunction with the independent compensation consultant and the Chairman and Chief Executive Officer, selected the current peer group to include companies Flora would seek executive talent from, operate in comparable market segments to, and which are of a similar size and scope.

Flora has not adopted specific policies with respect to permission or prohibition of NEO and/or directors to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

Incentive Compensation Plan

Flora provides long term incentives to directors, consultants, employees and officers of Flora pursuant to the Flora Incentive Compensation Plan (approved by shareholders on July 5, 2022). Effective July 5, 2022, no further Flora Options may be issued under the Prior Flora Option Plan. Any Flora Options granted under the Prior Flora Option Plan prior to July 5, 2022 will remain outstanding subject to the terms and conditions set forth in the applicable award agreements and the Prior Flora Option Plan.

The Awards which may be granted pursuant to the Flora Incentive Compensation Plan include Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Unit Awards, Dividend Equivalents, Other Stock-Based Awards, Performance Awards and Flora Shares granted as a bonus in lieu of another Award (as those terms are defined in the Flora Incentive Compensation Plan) (collectively referred to herein as "**Awards**").

Purpose

The purpose of the Flora Incentive Compensation Plan is to assist Flora and its subsidiaries and other designated affiliates ("**Related Entities**") in attracting, motivating, retaining and rewarding high-quality executives and other employees, officers, directors consultants and other persons who provide services to Flora or its Related Entities, by enabling such persons to acquire or increase a proprietary interest in Flora in order to strengthen the mutuality of interests between such persons and Flora Shareholders, and providing such persons with performance incentives to expend their maximum efforts in the creation of shareholder value.

Eligibility

The persons eligible to receive Awards under the Flora Incentive Compensation Plan are the officers, directors, employees, consultants and other persons who provide services to Flora or any Related Entity. The foregoing notwithstanding, only employees of Flora, or any parent corporation or subsidiary company of Flora (as those terms are defined in Sections 424(e) and (f) of the Internal Revenue Service Code, respectively), are eligible for purposes of receiving any incentive stock options. An employee on leave of absence may be considered as still in the employ of Flora or a Related Entity for purposes of eligibility for participation in the Flora Incentive Compensation Plan.

Administration

The Flora Incentive Compensation Plan is to be administered by the committee designated and empowered by the Flora Board to administer the Flora Incentive Compensation Plan (the "**Compensation Plan Committee**"); provided, however, that except as otherwise expressly provided in the Flora Incentive Compensation Plan, the Flora Board may exercise any power or authority granted to the Compensation Plan Committee under the Flora Incentive Compensation Plan. Subject to the terms of the Flora Incentive Compensation Plan, the Compensation Plan Committee is authorized to select eligible persons to receive Awards, determine the type, number and other terms and conditions of, and all other matters relating to, Awards, prescribe Award agreements (which need not be identical for each person who has been granted an Award under the Flora Incentive Compensation Plan which remains outstanding, and the rules and regulations for the administration of the Flora Incentive Compensation Plan, construe and interpret the Flora Incentive Compensation Plan and Award agreements, correct defects, supply omissions or reconcile inconsistencies therein, and make all other decisions and determinations as the Compensation Plan Committee may deem necessary or advisable for the administration of the Flora Incentive Compensation Plan.

Compensation Governance

Flora has established a Compensation Committee which assists the Flora Board in reviewing and approving the compensation structure, including all forms of compensation, relating to Flora's directors and executive officers. The Compensation Committee is composed of Dr. Beverley Richardson, Brandon Konigsberg and Marc Mastronardi, with Dr. Richardson serving as chair, all of whom are independent.

See "*Corporate Governance – Compensation*" of this Appendix "F".

Compensation Consultant

AETHOS has provided the Compensation Committee compensation advice independent of Flora's management. The Compensation Committee has sole authority to retain and terminate the independent compensation consultant. Under the Compensation Committee's direction, AETHOS periodically interacted with members of Flora's senior executive team to provide insight into industry practices and market trends.

The aggregate fees billed to Flora by AETHOS, Flora's compensation consultant, for the years ended December 31, 2021 and 2020, are as follows:

Financial Year ended December 31,	Executive Compensation-Related Fees (US$)	All Other Fees (US$)
2021	35,000	N/A
2020	N/A	N/A

Summary Compensation Table
The following table sets out information concerning the compensation paid by Flora to its NEOs for the financial years ended December 31, 2021, 2020 and 2019:

Name and principal position	Year ended December 31	Salary (US$)	Share Based awards (US$)	Option Based awards (US$)[1]	Non-equity incentive plan compensation (US$)	Pension Value (US$)	All other com-pensation (US$)	Total com-pensation (US$)
Luis Merchan, CEO[2]	2021	326,250	1,529,998	189,777	419,000	N/A	Nil	2,465,025
	2020	200,000	2,560,000	917,805	N/A	N/A	N/A	3,678,305
	2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lee Leiderman, Former CFO[3]	2021	188,631	Nil	568,850	50,000	N/A	Nil	807,481
	2020	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Jason Warnock, Chief Commercial Officer[4]	2021	131,025	Nil	178,175	50,000	N/A	Nil	359,200
	2020	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

1. Option awards are based on the full Black-Scholes option valuation model.
2. Mr. Merchan was appointed Chief Executive Officer on December 16, 2020. Mr. Merchan is also the Chairman of the Flora Board but does not receive any compensation for services rendered as a director.
3. Mr. Leiderman was appointed Chief Financial Officer on June 10, 2021 and ceased serving on August 15, 2022. Mr. Garayev was appointed as Chief Financial Officer on August 15, 2022.
4. Mr. Warnock was appointed as Chief Revenue Officer on June 8, 2021 and was appointed Chief Commercial Officer on March 1, 2022.

Outstanding Option-Based and Share-Based Awards

The following table sets out information concerning the incentive plan awards that have been granted by Flora to its NEOs and that were outstanding as at December 31, 2021:

Option-based Awards					Share-based Awards		
Name	**Number of securities underlying unexercised options (#)**	**Option exercise price (US$)**	**Option expiration date**	**Value of unexercised in-the-money options (US$)[1]**	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested (US$)**	**Market or payout value of vested share-based awards not paid out or distributed (US$)**
Luis Merchan, CEO	125,000	2.04	December 16, 2026	Nil	Nil	Nil	Nil
Lee Leiderman, Former CFO[1]	166,667 75,000	3.68 2.04	June 10, 2026 December 16, 2021	Nil	Nil	Nil	Nil
Jason Warnock, Chief Commercial Officer	16,667 75,000	5.20 2.04	September 20, 2026 December 16, 2021	Nil	Nil	Nil	Nil

Notes:

1. Calculated based on the difference between the market value of the Flora Shares underlying the Flora Options at December 31, 2021 and the exercise price of the Flora Options. The trading price of the Flora Shares on the Nasdaq on December 31, 2021 was US$1.78.
2. Mr. Leiderman ceased serving as Flora's Chief Financial Officer on August 15, 2022 and Mr. Garayev was appointed as Chief Financial Officer on August 15, 2022.

Incentive Plan Awards – Value Vested or Earned During the Year

Name	Option-based awards – Value vested during the year (US$)	Share-based awards – Value vested during the year (US$)	Non-equity incentive plan compensation – Value earned during the year (US$)
Luis Merchan, CEO	**Nil**	**Nil**	**Nil**
Lee Leiderman, Former CFO[1]	**Nil**	**Nil**	**Nil**
Jason Warnock, Chief Commercial Officer	**Nil**	**Nil**	**Nil**

Note:

1. Mr. Leiderman ceased serving as Flora's Chief Financial Officer on August 15, 2022 and Mr. Garayev was appointed as Chief Financial Officer on August 15, 2022.

Please see "*Description of Flora's Securities – Flora Shares*" for information on the significant terms of the Flora Shares.

Employment Agreements and Potential Payments and Change of Control Benefits upon Termination
Each of the NEOs has entered into contracts for service with Flora. Details of these agreements are as follows:

Luis Merchan

Effective March 1, 2022, Mr. Merchan and our subsidiary, Flora Management, entered into an employment agreement (the "**Merchan Employment Agreement**"), pursuant to which Mr. Merchan serves as the President of Flora Management and as Flora's Chief Executive Officer. The initial term of the agreement is for a period of three years, ending on February 28, 2025.

Mr. Merchan's employment agreement provides for a base salary of US$385,000 (as may be increased by the Flora Board), an annual discretionary bonus opportunity targeted at 100% of base salary and the opportunity to participate in any equity compensation plan, other incentive compensation programs and other health, benefit and incentive plans offered to other senior executives of Flora. Mr. Merchan is also entitled to paid time off and holiday pay in accordance

with Flora Management's policies. In addition, upon termination of Mr. Merchan's employment agreement without Cause or resignation by Mr. Merchan for Good Reason (as those terms are defined in the Merchan Employment Agreement), Mr. Merchan will, conditioned upon his execution of a separation and release agreement, be eligible to receive the following payments:

- an aggregate amount equal to two times his base salary at the rate in effect on his last day of employment (the "**Merchan Severance Payment**"), 50% of which shall be paid in a lump sum on the third business day following the Release Effective Date (as such term is defined in the Merchan Employment Agreement) and the remaining 50% of which shall be paid in 12 equal monthly installments commencing on the effective date of termination;

- additional monthly payments equal to US$2,000 for a period of 12 months for the purpose of covering Mr. Merchan's health insurance, subject to cessation if Mr. Merchan becomes eligible to obtain insurance coverage from another group insurance plan (the "**Merchan Additional Amount**"); and

- a pro rata share of his discretionary annual bonus relating to the year in which his employment ceases.

In the event Mr. Merchan is terminated without Cause or Mr. Merchan resigns for Good Reason following a Change in Control (as such term is defined in the Merchan Employment Agreement), Mr. Merchan will be eligible to receive the payments set forth above, provided however that the Merchan Severance Payment shall be increased to two and one half times Mr. Merchan's base salary, payable as set forth above.

In the event that Mr. Merchan's employment terminates as a result of Disability (as such term is defined in the Merchan Employment Agreement) or death, Mr. Merchan or his estate, as applicable, conditioned upon his or its execution of a separation and release agreement, will be eligible to receive: (i) his pro rata share of his discretionary annual incentive bonus (at no less than target in the event of death); and (ii) payments of the Merchan Additional Amount for a period of 12 months following his termination of employment, provided, however, that in the case of termination due to Disability, if health insurance coverage becomes available to Mr. Merchan under another group insurance plan during the 12-month period, payment of the Merchan Additional Amount shall cease. In addition, in the event of Mr. Merchan's death, Mr. Merchan's estate shall be entitled to the fully vested but unpaid rights as required by the terms of any bonus or other incentive pay plan or any other employee benefit plan.

Mr. Merchan's employment agreement provides that he is obligated to devote a substantial majority of his business time, attention, skill and effort to the performance of his duties under the Merchan Employment Agreement, provided that, to the extent such activities do not impair the performance of his duties to Flora Management, us or our affiliates, Mr. Merchan is permitted to engage in the following other specified activities: (i) engaging in personal investments and charitable, professional and civic activities; (ii) serving on boards of directors of entities that do not compete with Flora Management, us or any of our affiliates; (iii) serving as Chairman of the Flora Board; and (iv) certain other activities and director positions that the Flora Board may approve.

The Merchan Employment Agreement provides that during the term of his employment and for a period of 12 months following the expiration, resignation or termination of his employment, Mr. Merchan agrees not to: (i) engage in any competing business in certain geographic regions, provided, however, that Mr. Merchan may own five percent or less of the outstanding stock of any publicly traded corporation or other entity that engages in a competing business; (ii) solicit for the purpose of conducting a competing business any customer or prospective customer of Flora Management, us or any of our affiliates in a line of business that we, Flora Management, or any of our affiliates conducts or plans to conduct as of the date of Mr. Merchan's termination; or (iii) solicit or employ any person who is, or was at any time during the two-year period prior to Mr. Merchan's termination, an employee with a senior management position at Flora Management, us or any of our affiliates.

Lee Leiderman

On June 10, 2021, Flora entered into a consulting agreement with E&J, an affiliated entity of Mr. Leiderman, for Mr. Leiderman to serve as our Chief Financial Officer (the "**E&J Agreement**"). Through February 2021, E&J received base fees in the amount of US$20,833 per month. Effective March 1, 2022, base fees payable to E&J were increased to US$22,916 per month. Effective August 15, 2022, Mr. Leiderman ceased serving as Chief Financial Officer and

Flora has agreed to pay Mr. Leiderman a payment equal to 12 months' base fees payable over the six months commencing on October 15, 2022.

Jason Warnock

Effective March 1, 2022, Mr. Warnock and our subsidiary, Flora Management, entered into a consulting agreement, pursuant to which Mr. Warnock serves as Flora's Chief Commercial Officer (the "**Warnock Consulting Agreement**").

The Warnock Consulting Agreement provides for an annual base fee of US$180,000 (as may be increased by the Flora Board), an annual discretionary bonus opportunity targeted at 50% of his base fee and the opportunity to participate in any equity compensation plan, other incentive compensation programs and other health, benefit and incentive plans offered to other senior executives of Flora. Mr. Warnock is also entitled to paid time off and holiday pay in accordance with Flora Management's policies. In addition, upon termination of the Warnock Consulting Agreement without Cause or resignation by Mr. Warnock for Good Reason (as those terms are defined in the Warnock Consulting Agreement) Mr. Warnock will, conditioned upon his execution of a separation and release agreement, be eligible to receive the following payments:

- an aggregate amount equal to one half his base fee at the rate in effect on his last day of engagement (the "**Warnock Severance Payment**") which shall be paid in a lump sum on the third business day following the Release Effective Date (as such term is defined in the Warnock Consulting Agreement); and

- a pro rata share of his discretionary annual bonus relating to the year in which his engagement ceases.

In the event Mr. Warnock is terminated without Cause or Mr. Warnock resigns for Good Reason following a Change in Control (as such term is defined in the Warnock Consulting Agreement), Mr. Warnock will be eligible to receive the payments set forth above, provided however that the Warnock Severance Payment shall be increased to Mr. Warnock's base fee, payable as set forth above.

In the event that Mr. Warnock's engagement terminates as a result of Disability (as such term is defined in the Warnock Consulting Agreement) or death, Mr. Warnock or his estate, as applicable, conditioned upon his or its execution of a separation and release agreement, will be eligible to receive his pro rata share of his discretionary annual incentive bonus (at no less than target in the event of death). In addition, in the event of Mr. Warnock's death, Mr. Warnock's estate shall be entitled to the fully vested but unpaid rights as required by the terms of any bonus or other incentive pay plan or any other employee benefit plan.

The Warnock Consulting Agreement provides that during the term of his engagement and for a period of 12 months following the expiration, resignation or termination of his engagement, Mr. Warnock agrees not to: (i) engage in any competing business in certain geographic regions, provided, however, that Mr. Warnock may own five percent or less of the outstanding stock of any publicly traded corporation or other entity that engages in a competing business; (ii) solicit for the purpose of conducting a competing business any customer or prospective customer of Flora Management, us or any of our affiliates in a line of business that we, Flora Management, or any of our affiliates conducts or plans to conduct as of the date of Mr. Warnock's termination; or (iii) solicit or employ any person who is, or was at any time during the two-year period prior to Mr. Warnock's termination, an employee with a senior management position at Flora Management, us or any of our affiliates.

Elshad Garayev

On July 7, 2022, Flora Management, a wholly owned subsidiary of Flora, entered into an employment agreement (the "**Garayev Employment Agreement**") with Mr. Elshad Garayev. From July 21, 2022 (the "**Garayev Agreement Effective Date**") through August 14, 2022, Mr. Garayev initially served as Flora's Vice President of Finance. He became Chief Financial Officer on August 15, 2022.

The Garayev Employment Agreement provides that Mr. Garayev shall receive an annual base salary of US$275,000 (as may be increased by the Flora Board), an annual discretionary bonus opportunity targeted at 50% of his base salary and the opportunity to participate in any equity compensation plan, other incentive compensation programs and other

health, benefit and incentive plans offered to other senior executives of Flora Management. Mr. Garayev is also entitled to paid time off and holiday pay in accordance with Flora Management's policies. In addition, pursuant to the Garayev Employment Agreement, on the Garayev Agreement Effective Date, Mr. Garayev will be granted Flora Options (the "**Garayev Option**") to purchase 75,000 Flora Shares at an exercise price equal to the closing market price of the Flora Shares on the day prior to the Garayev Agreement Effective Date. Subject to Mr. Garayev's continued employment, the Garayev Option shall vest on the one-year anniversary of the Garayev Agreement Effective Date and shall be exercisable for a period of five years.

In addition, upon termination of the Garayev Employment Agreement without Cause or resignation by Mr. Garayev for Good Reason, as those terms are defined in the Garayev Employment Agreement, Mr. Garayev will, conditioned upon his employment with Flora Management for at least one year prior to termination (except with respect to a Change of Control as such term is defined in the Garayev Employment Agreement) and his execution of a separation and release agreement, be eligible to receive the following payments:

- an aggregate amount equal to his base salary at the rate in effect on his last day of engagement (the "**Garayev Severance Payment**") of which 50% shall be paid in a lump sum on the third business day following the Release Effective Date (the "**Garayev Payment Date**"), and the remaining 50% of which shall be paid in 12 equal monthly installments commencing on the effective date of termination; and

- a pro rata share of his discretionary annual bonus relating to the year in which his engagement ceases.

In the event Mr. Garayev is terminated without Cause or Mr. Garayev resigns for Good Reason following a Change in Control, as those terms are defined in his Garayev Employment Agreement, Mr. Garayev will be eligible to receive the payments set forth above, provided however that the Garayev Severance Payment shall be increased to 1.5X Mr. Garayev's base salary, payable as set forth above.

In the event that Mr. Garayev's employment terminates as a result of Disability, as such term is defined in the Garayev Employment Agreement, or death, Mr. Garayev or his estate, as applicable, conditioned upon his or its execution of a separation and release agreement, will be eligible to receive his pro rata share of his discretionary annual incentive bonus (at no less than target in the event of death). In addition, in the event of Mr. Garayev's death, Mr. Garayev's estate shall be entitled to the fully vested but unpaid rights as required by the terms of any bonus or other incentive pay plan or any other employee benefit plan.

The Garayev Employment Agreement provides that during the term of his engagement and for a period of 12 months following the expiration, resignation or termination of his employment, Mr. Garayev agrees not to: (i) engage in any competing business in certain geographic regions, provided, however, that Mr. Garayev may own five percent or less of the outstanding stock of any publicly traded corporation or other entity that engages in a competing business; (ii) solicit for the purpose of conducting a competing business any customer or prospective customer of Flora Management, us or any of our affiliates in a line of business that we, Flora Management, or any of our affiliates conducts or plans to conduct as of the date of Mr. Garayev's termination; or (iii) solicit or employ any person who is, or was at any time during the two-year period prior to Mr. Garayev's termination, an employee with a senior management position at Flora Management, us or any of our affiliates.

DIRECTOR COMPENSATION

General

Flora's director compensation program is designed to attract and retain qualified individuals to serve on the Flora Board. John Timothy Leslie, Beverley Richardson, Juan Carlos Gomez Roa, Dr. Annabelle Manalo-Morgan, Marc Mastronardi and Brandon Konigsberg are Non-Executive Directors of Flora. The amount of compensation received by each of the directors of Flora is disclosed in the table below:

Summary Compensation Table

The following table discloses all compensation that was paid to Non-Executive directors of Flora for the financial year ended December 31, 2021:

Name	Fees earned (US$)	Share- based awards (US$)	Option- based awards[1] (US$)	Non-equity incentive plan compensation (US$)	All other compensation (US$)	Total compensation (US$)
Dr. Beverley Richardson Non-Executive Director[2]	71,000	Nil	75,910	Nil	Nil	**146,910**
Juan Carlos Gomez Roa Non-Executive Director[3]	46,000	Nil	75,910	Nil	Nil	**121,910**
Dr. Annabelle Manalo-Morgan Non-Executive Director[4]	130,000	Nil	303,642	Nil	Nil	**433,642**
Marc Mastronardi Non-Executive Director[5]	49,500	Nil	752,932	Nil	Nil	**802,432**
Dr. Bernard Wilson Former Non-Executive Director[6]	148,000	Nil	227,732	Nil	Nil	**316,666**
Stan Bharti Former Non-Executive Director[7]	272,807	Nil	Nil	Nil	Nil	**272,807**

Notes:

1. Flora Option awards are based on the Black-Scholes option valuation model.
2. Dr. Richardson was appointed as Non-Executive Director of Flora on December 3, 2020.
3. Mr. Gomez Roa was appointed as Non-Executive Director of Flora on December 22, 2020.
4. Dr. Manalo-Morgan was appointed as Non-Executive Director of Flora on June 9, 2021. Compensation received by Dr. Manalo-Morgan includes $100,000 in consulting fees pursuant to a consulting agreement.
5. Mr. Mastronardi was appointed as Non-Executive Director of Flora on May 5, 2021.
6. Dr. Wilson resigned as Chairman of the Flora Board on March 15, 2022.
7. Mr. Bharti is a former director of Flora and resigned from the Flora Board on August 5, 2021. All compensation received by Mr. Bharti reflects amounts paid to him pursuant to consulting agreements between Flora and the following entities controlled by Mr. Bharti: (i) Forbes & Manhattan, Inc.; and (ii) 2051580 Ontario Corp.

Outstanding Option-Based and Share-Based Awards

The following table sets out information concerning the incentive plan awards that have been granted by Flora to its Non-Executive directors and that were outstanding as at December 31, 2021:

	Option-based Awards				Share-based Awards		
Name	**Number of securities underlying unexercised options (#)**	**Option exercise price (US$)**	**Option expiration date**	**Value of unexercised in-the-money options (US$)[1]**	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested (US$)**	**Market or payout value of vested share-based awards not paid out or distributed (US$)**
Dr. Beverley Richardson Non-Executive Director	50,000	2.04	December 16, 2026	75,910	Nil	Nil	Nil
Juan Carlos Gomez Roa Non-Executive Director	50,000	2.04	December 16, 2026	75,910	Nil	Nil	Nil

Dr. Annabelle Manalo-Morgan Non-Executive Director	50,000 150,000	2.04 2.04	December 16, 2026 December 16, 2026	303,642	Nil	Nil	Nil
Marc Mastronardi Non-Executive Director	182,783 100,000 50,000	3.87 2.04 2.04	June 3, 2026 December 16, 2026 December 16, 2026	753,932	Nil	Nil	Nil
Dr. Bernard Wilson Former Non-Executive Director	150,000	2.04	December 16, 2026	227,732	Nil	Nil	Nil
Stan Bharti Former Non-Executive Director	Nil	N/A	N/A	N/A	Nil	Nil	Nil

Notes:

1. Calculated based on the difference between the market value of the Flora Shares underlying the Flora Options at December 31, 2021 and the exercise price of the Flora Options. The trading price of the Flora Shares on the Nasdaq on December 31, 2021 was US$1.78.
2. Mr. Leiderman ceased serving as Flora's Chief Financial Officer on August 15, 2022 and Mr. Garayev was appointed as Chief Financial Officer on August 15.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As of the Record Date, except as disclosed elsewhere in this Appendix "F", there exists no indebtedness outstanding with any current or former director, executive officer or employee of Flora or its subsidiaries, or any associate or affiliate of such person, which is owing to Flora or its subsidiaries, or which is owing to another entity, which indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Flora or its subsidiaries, entered into in connection with a purchase of securities or otherwise.

CORPORATE GOVERNANCE

Flora and the Flora Board recognize the importance of corporate governance to the effective management of Flora and to the protection of its stakeholders, particularly the Flora Shareholders. Flora's approach to significant issues of corporate governance is designed with a view to ensuring that the business and affairs of Flora are effectively managed so as to enhance shareholder value.

The Flora Board fulfills its mandate directly at regularly scheduled meetings or as required. The directors are kept informed regarding Flora's operations at regular meetings and through reports and discussions with management on matters within their particular areas of expertise. Frequency of meetings may be increased and the nature of the agenda items may be changed depending upon the state of Flora's affairs and in light of opportunities or risks that the Flora faces.

Flora believes that its corporate governance practices are in compliance with applicable requirements for foreign private issuers listed on the Nasdaq. Flora is committed to monitoring governance developments to ensure its practices remain current and appropriate, particularly through its Nominating and Corporate Governance Committee.

Corporate Governance Practices

We are a "foreign private issuer" under the federal securities laws of the United States and the Nasdaq listing standards. Under the federal securities laws of the United States, foreign private issuers are subject to different disclosure requirements than U.S.-domiciled registrants. We intend to take all actions necessary for us to maintain compliance as a foreign private issuer under the applicable corporate governance requirements of the Sarbanes-Oxley Act, the rules adopted by the SEC and the Nasdaq listing standards.

Under the SEC rules and the Nasdaq listing standards, a foreign private issuer is subject to less stringent corporate governance requirements. Subject to certain exceptions, the SEC and the Nasdaq permit a foreign private issuer to follow its home country practice in lieu of their respective rules and listing standards. Following our home country

governance practices, as opposed to the requirements that would otherwise apply to a company listed on Nasdaq, may provide less protection than is accorded to investors under the Nasdaq Rules applicable to U.S. domestic issuers.

The Canadian securities regulatory authorities have issued the Corporate Governance Guidelines, together with certain related disclosure requirements pursuant to National Instrument 58-101—*Disclosure of Corporate Governance Practices*. The Corporate Governance Guidelines are recommended as "best practices" for issuers to follow. We recognize that good corporate governance plays an important role in our overall success and in enhancing shareholder value and, accordingly, we have adopted certain corporate governance policies and practices which reflect our consideration of the recommended Corporate Governance Guidelines.

In particular, as a foreign private issuer, in accordance with and pursuant to the authority contained in Nasdaq Listing Rule 5615(a)(3), we follow certain Canadian law and corporate practice in lieu of certain corporate governance provisions set out under the Nasdaq Rule 5600 Series and the requirement in Listing Rule 5250(d) to distribute annual and interim reports. Of particular note, the following rules under the Nasdaq Listing Rule 5600 Series differ from Canadian law requirements:

- Nasdaq Listing Rule 5605(b)(1) requires that at least a majority of the Flora Board shall be independent directors, and Nasdaq Listing Rule 5605(b)(2) requires that independent directors regularly meet in executive session, where only independent directors are present. We currently have five independent directors, constituting a majority of the Flora Board as of the date hereof. Our independent directors meet regularly with other members of the Flora Board and meet in executive session at least two times per year.

- Nasdaq Listing Rule 5605(c)(2)(A) requires that Flora shall have an Audit Committee composed of not less than three directors, each of whom must be independent. We have an Audit Committee comprised of three directors, and each member of the Audit Committee meets the independence requirements of Nasdaq Listing Rule 5605(a)(2) and Rule 10A-3(b)(1) under the U.S. Exchange Act. Please see "*Corporate Governance – Audit Committee*" of this Appendix "F" for more information.

- Nasdaq Listing Rule 5605(d)(2)(A) requires, among other things, that Flora's Compensation Committee include at least two members, each of whom is an independent director as defined under Nasdaq Listing Rule 5605(a)(2). Flora established a Compensation Committee of the Flora Board effective December 16, 2020. Our Compensation Committee is composed of three directors, all of whom meet the independence requirements of Nasdaq Listing Rule 5605(a)(2).

- Nasdaq Listing Rule 5605(e) requires that the Nominating and Corporate Governance Committee include solely independent directors. Flora established a Nominating and Corporate Governance Committee of the Flora Board effective December 16, 2020. Our Nominating and Corporate Governance Committee is composed of three directors, all of whom meet the independence requirements of Nasdaq Listing Rule 5605(a)(2).

- Nasdaq Listing Rule 5635 requires shareholder approval in connection with, among other things: (a) the issuance of securities in connection with an acquisition of the stock or assets of another company if: (i) the issuance will result in the issuance of 20% or more of the voting power or number of shares of common equity outstanding prior to the proposed issuance; or (ii) certain affiliates have a 5% interest (or 10% interest on a collective basis) in the company or assets proposed to be acquired; (b) an issuance of securities results in a change of control of Flora; (c) the issuance of securities in connection with a new or materially amended equity compensation plan; and (d) certain private offerings of 20% or more of Flora's common equity outstanding prior to the offering at a price below the Minimum Price (as defined in Nasdaq Listing Rule 5635(d)). Flora has chosen to follow Canadian law applicable to us with respect to shareholder approval in connection with issuance of securities in lieu of following Nasdaq Listing Rule 5635. Under Canadian law, we are generally not required to seek shareholder approval in connection with the issuance of securities in the contexts described above.

Flora Board of Directors

The Flora Board is composed of seven directors, five of whom are independent directors under National Instrument 58-101 – "*Disclosure of Corporate Governance Practices*". Beverley Richardson, Juan Carlos Gomez Roa, John Timothy Leslie, Brandon Konigsberg and Marc Mastronardi are all considered independent on the basis that they do not have any material relationships that could reasonably be expected to interfere with the exercise of their independent judgement.

Luis Merchan, President, Chief Executive officer and Chairman is a non-independent director, as he is a member of Flora's management. Dr. Annabelle Manalo Morgan is a non-independent director by virtue of her consulting agreement with Flora.

The chair of the Flora Board is not an independent director and Flora does not have a lead independent director. The Flora Board considers it important that the individual serving as its chair has a management-level understanding of the day-to-day operations of Flora. To facilitate leadership and open and candid discussion among independent directors, the independent directors are given the opportunity to hold in camera meetings should the need arise. In addition, each of Flora's committees, being the Audit Committee, the Nominating and Corporate Governance Committee and the Compensation Committee, are made up on solely independent directors.

Given the size of Flora, the current composition of the Flora Board and the nature of activities to date, the independent members of the Flora Board are not expected to hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. This practice will be reassessed as Flora grows. In order to facilitate open and candid discussion among independent directors, from time to time as circumstances dictate, the independent directors can request a meeting or portion thereof to be restricted to independent directors for the purpose of discussing matters independently of management.

Other Directorships

Three directors of Flora, as of the date hereof, are also directors of other issuers that are "reporting issuers" as that term is defined in and for the purposes of securities legislation or the equivalent in a jurisdiction or foreign jurisdiction. These positions are summarized as follows:

Name of Director	Other Reporting Issuer	Position	Market
Marc Mastronardi	Macy's Inc.	Director and Chief Stores Officer	New York Stock Exchange
Brandon Konigsberg	Chicago Atlantic Real Estate Finance, Inc.	Director, Compensation Committee Chair and Audit Committee Member	Nasdaq Global Market

Attendance at Flora Board Meetings

The following table sets out the attendance of each of the directors of Flora at meetings of the Flora Board for the financial year ended December 31, 2021.

Director	Number Eligible to Attend	Number Attended
John Timothy Leslie[1]	0	0
Dr. Beverley Richardson[2]	14	13
Juan Carlos Gomez Roa[3]	14	13
Dr. Annabelle Manalo-Morgan[4]	11	10
Marc Mastronardi[5]	13	11
Luis Merchan[6]	14	14
Brandon Konigsberg[7]	0	0
Dr. Bernard Wilson[8]	14	14
Stan Bharti[9]	2	2

Notes:

1. Mr. Leslie was appointed as Non-Executive Director of Flora on March 15, 2022.
2. Dr. Richardson was appointed as Non-Executive Director of Flora on December 3, 2020.
3. Mr. Gomez Roa was appointed as Non-Executive Director of Flora on December 22, 2020.
4. Dr. Manalo-Morgan was appointed as Non-Executive Director of Flora on June 9, 2021.
5. Mr. Mastronardi was appointed as Non-Executive Director of Flora on May 5, 2021.
6. Mr. Merchan was appointed as director of Flora on December 20, 2020.
7. Mr. Konigsberg was appointed as Non-Executive Director on July 5, 2022.
8. Dr. Wilson resigned as Chairman of the Flora Board on March 15, 2022.
9. Mr. Bharti resigned from the Flora Board on August 5, 2021.

Board Mandate

The Flora Board does not have a written mandate. The Flora Board delineates its role and responsibilities based on the statutory and common law applicable to Flora. The Flora Board believes its mandate is to manage the business and affairs of Flora and to act with a view towards the best interests of Flora. While day-to-day management of Flora has been delegated by the Flora Board to executive management, the Flora Board fulfills its responsibility for the broader stewardship of Flora's business and affairs through its regular meetings at which members of management provide reports to the Flora Board with respect to Flora's business and operations, make proposals to the Flora Board and receive the Flora Board's decisions for implementation. Any responsibility that has not been delegated to executive management or to a Flora Board committee remains with the full Flora Board. The Flora Board believes that its approach to corporate governance is appropriate and works effectively for Flora and its shareholders and is consistent with the overall business of Flora and its stage of development.

Position Descriptions

Due to Flora's size and nature of operations, the Flora Board has not yet developed a written position description for the Chair. There are also no written position descriptions for the Chair of any Flora Board committees or the Chief Executive Officer. The Flora Board delineates the role and responsibilities of each such position through informal discussions with the Chair and each member of the Flora Board.

Orientation and Continuing Education

The Flora Board provides ad hoc orientation for new directors, which generally consists of providing education regarding directors' responsibilities, corporate governance issues and Flora's various committee charters and policies. The Flora Board also ensures that each director is up to date with current information regarding the business of Flora, the role that the director is expected to fulfill and basic procedures and operations of the Flora Board and its committees. Flora Board members are also given access to management and other employees and advisors, who can answer any questions that may arise. Management also updates the Flora Board concerning the status of Flora and, in respect of material transactions, including the review of Flora's financial statements, provides opportunities for Flora Board review and approval by way of directors' consent resolutions. In addition, Luis Merchan is an accredited board member, certified by the National Association of Corporate Directors.

Ethical Business Conduct

Ethics Code

Flora has adopted a Code of Business Conduct and Ethics (the "**Ethics Code**"), which is made available on Flora's website (www.floragrowth.com).

The Ethics Code covers such matters as:

- honest, ethical and fair conduct;
- conflicts of interest;
- confidentiality;
- full, fair, accurate, timely and understandable public disclosure;
- compliance with applicable governmental laws, rules and regulations;
- insider information and securities trading;
- maintenance and retention of financial statements and other records;
- improper influence on the conduct of audits; and
- anti-corruption laws.

The Flora Board is responsible for applying the Ethics Code to specific situations in which questions are presented to it and has the authority to interpret the Ethics Code in any particular situation. Any person who becomes aware of any existing or potential breach of the Ethics Code is required to notify the Flora Board promptly. Failure to do so is, in and of itself, a breach of the Ethics Code.

Specifically, each person subject to the Ethics Code must:

- Notify the Flora Board promptly of any existing or potential violation of the Ethics Code; and
- Not retaliate against any other person for reports of potential violations that are made in good faith.

Flora will follow the following procedures in investigating and enforcing the Ethics Code and in reporting on the Ethics Code:

- The Flora Board will take all appropriate action to investigate any breaches reported to it; and
- Upon determination by the Flora Board that a breach has occurred, the Flora Board (by majority decision) will take or authorize such disciplinary or preventive action as it deems appropriate, after consultation with Flora's internal or external legal counsel, up to and including dismissal or, in the event of criminal or other serious violations of law, notification to the SEC or other appropriate law enforcement authorities.

No person following the above procedure shall, as a result of following such procedure, be subject by Flora or any officer or employee thereof to discharge, demotion, suspension, threat, harassment or, in any manner, discrimination against such person in terms and conditions of employment.

Independent Judgment of Directors

The Flora Board seeks to ensure that directors exercise independent judgment in considering transactions and certain activities of Flora by establishing committees comprised of independent directors to advise the full Flora Board, by holding in-camera sessions of independent directors, and by having each director declare his or her interest in a particular transaction and abstaining from voting on such matters, each when and where applicable.

Whistleblower Policy

Flora has also adopted a formal Whistleblower Policy which is made available on Flora's website (www.floragrowth.com). This policy applies to all directors, officers and employees of Flora. The purpose of this policy is to establish procedures for: (i) the receipt, retention, and treatment of complaints received by Flora regarding

(a) accounting, internal accounting controls, and auditing matters; or (b) violations of Flora's policies; and (ii) the submission by employees of Flora, on a confidential and anonymous basis, of concerns regarding questionable accounting, auditing matters or violations to any of Flora's policies. The purpose of this policy is also to state clearly and unequivocally that Flora prohibits discrimination, harassment and/or retaliation against any employee, director or officer who reports complaints to the Audit Committee regarding accounting, internal controls, auditing matters or violations of the Ethics Code.

Anti-Bribery and Anti-Corruption Policy

Flora has adopted a formal Anti-Bribery and Anti-Corruption Policy in recognition that bribery and corruption act to undermine legitimate business activities, distort competition and may expose Flora, its employees, and other stakeholders to significant risks. Flora provides a safe mechanism pursuant to its Whistleblower Policy to enable and encourage the reporting of any actual, alleged, or perceived, instances of bribery or corruption by any individual to which this policy applies. A copy of the Anti-Bribery and Corruption Policy is made available on Flora's website (www.floragrowth.com).

Related Party Transaction Policy

Flora has adopted a Related Party Transaction Policy to ensure that related party transactions are properly reviewed, approved and fully disclosed in accordance with the rules and regulations of the SEC and the Nasdaq. The policy provides that all proposed related party transactions must be promptly disclosed in advance (or otherwise at the earliest possible opportunity) to the person designated by the Chief Executive Officer of Flora as the compliance officer and approved, ratified or rejected by either the Audit Committee of the Flora Board or the full Flora Board. The policy further provides that, as a general rule, any director who has a direct or indirect material interest in the related party transaction should not participate in the Audit Committee or Flora Board deliberations or decision making regarding whether to approve or ratify the transaction.

Nomination of Directors

The Nominating and Corporate Governance Committee of the Flora Board has created policies regarding director qualification requirements and the process for identifying and evaluating director candidates for adoption by the Flora Board. Generally, the Nominating and Corporate Governance Committee considers the entirety of each candidate's qualifications and credentials. At a minimum, all candidates for director must possess high personal and professional ethics and integrity; an ability to exercise sound judgment; an ability to make independent analytical inquiries; an ability and willingness to devote sufficient time and resources to diligently perform Flora Board duties; and appropriate and relevant business experience and acumen.

The Nominating and Corporate Governance Committee believes there are other criteria that should be taken into account including any potential conflicts of interest as well as a candidate's demographic background (gender, race, ethnicity, nationality, to name a few). Additionally, a majority of the members of the Flora Board must meet the criteria for independence under the Nasdaq listing rules, as in effect from time to time and as interpreted by the Flora Board in its business judgment.

The above-mentioned attributes, along with the leadership skills and other experiences of the officers of Flora and the Flora Board members are expected to provide Flora with a diverse range of perspectives and judgment necessary to facilitate Flora's goals of shareholder value appreciation through organic and acquisition growth and to promote the interests of Flora's other stakeholders.

Please see "*Corporate Governance – Board Committees*" of this Appendix "F" for more information on the responsibilities, powers and operation of the Nominating and Corporate Governance Committee.

Compensation

The Compensation Committee of the Flora Board, which consists entirely of independent directors, is responsible for determining the compensation of our NEOs. Please see "E*xecutive Compensation – Compensation Process*" of this Appendix "F" for the factors considered by the Compensation Committee. Please see "*Corporate Governance –*

Board Committees" of this Appendix "F" for more information on the responsibilities, powers and operation of the Compensation Committee.

Board Committees

Flora has established three standing committees under the Flora Board: (i) an Audit Committee; (ii) a Compensation Committee; and (iii) a Nominating and Corporate Governance Committee. Each committee's members and functions are described below.

Audit Committee

Our audit committee is responsible for, among other things:

- appointing, compensating, retaining, evaluating, terminating and overseeing our independent registered public accounting firm;
- discussing with our independent registered public accounting firm their independence from management;
- reviewing, with our independent registered public accounting firm, the scope and results of their audit;
- approving all audit and permissible non-audit services to be performed by our independent registered public accounting firm;
- overseeing the financial reporting process and discussing with management and our independent registered public accounting firm any financial statements that we file with the SEC;
- overseeing our financial and accounting controls and compliance with legal and regulatory requirements;
- reviewing our policies on risk assessment and risk management;
- reviewing related person transactions; and
- establishing procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls or auditing matters.

The audit committee is composed of Brandon Konigsberg, John Timothy Leslie and Juan Carlos Gomez Roa, with Mr. Konigsberg serving as chair. Mr. Konigsberg qualifies as an "audit committee financial expert" as such term has been defined in Item 407(d)(5) of Regulation S-K and as "financially literate" within the meaning of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"). The Flora Board has affirmatively determined that Mr. Konigsberg, Mr. Lesie and Mr. Gomez each meet the definition of "independent director" for purposes of serving on the audit committee under the Nasdaq rules, the independence standards under Rule 10A-3 of the U.S. Exchange Act and under NI 52-110.

Both our independent registered public accounting firm and management personnel periodically meet privately with our audit committee.

Compensation Committee

Our compensation committee is responsible for, among other things:

- reviewing and approving the corporate goals and objectives, evaluating the performance and reviewing and approving the compensation of our executive officers;
- reviewing and approving or making recommendations to the Flora regarding our incentive compensation and equity-based plans, policies and programs;

- reviewing and approving all employment agreement and severance arrangements for our executive officers;
- making recommendations to the Flora Board regarding the compensation of our directors; and
- retaining and overseeing any compensation consultants.

The compensation committee is composed of Dr. Beverley Richardson, Brandon Konigsberg and Marc Mastronardi, with Dr. Richardson serving as chair. The Flora Board has affirmatively determined that Dr. Richardson, Mr. Konigsberg and Mr. Mastronardi each meet the definition of "independent director" for purposes of serving on the compensation committee under the Nasdaq rules, the independence standards under Rule 10A-3 of the U.S. Exchange Act and under NI 52-110.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee is responsible for, among other things:

- identifying individuals qualified to become members of the Flora Board, consistent with criteria approved by the Flora Board;
- overseeing succession planning for our executive officers;
- periodically reviewing the Flora Board's leadership structure and recommending any proposed changes to the Flora Board;
- overseeing an annual evaluation of the effectiveness of the Flora Board and its committees; and
- developing and recommending to the Flora Board a set of corporate governance guidelines.

The nominating and corporate governance committee is composed of Mr. Mastronardi, Mr. Leslie and Mr. Gomez, with Mr. Mastronardi serving as chair. The Flora Board has affirmatively determined that Mastronardi, Leslie and Gomez meet the definition of "independent director" for purposes of serving on the nominating and corporate governance committee under the Nasdaq rules, the independence standards under Rule 10A-3 of the U.S. Exchange Act and under NI 52-110.

Assessment

The Flora Board and its individual directors are assessed on an informal basis continually as to their effectiveness and contribution, based upon advice from the Nominating and Corporate Governance Committee. The Chair of the Flora Board also encourages discussion amongst the Flora Board as to evaluation of the effectiveness of the Flora Board as a whole and of each individual director. All directors are free to make suggestions for improvement of the practice of the Flora Board at any time and are encouraged to do so.

Terms of Directors and Executive Officers

Each of Flora's directors holds office until a successor has been duly elected and qualified unless the director was appointed by the Flora Board, in which case such director holds office until the next following annual meeting of shareholders at which time such director is eligible for re-election. All of Flora's executive officers are appointed by and serve at the discretion of the Flora.

Board Term Limits and Other Mechanisms of Board Renewal

Flora's by-laws provide that the election of directors shall take place at the first meeting and thereafter at each annual meeting of shareholders and all the directors then in office shall retire but, if qualified, shall be eligible for re-election. Flora has not adopted a specific maximum term limit as it feels the Flora Shareholders should have the power to elect

directors who they feel are appropriate regardless of how long they have served on the Flora Board. The Nominating and Corporate Governance Committee determines nominees to be put forth as directors and looks at a number of factors including the qualifications, personal qualities, business background and relevant experience of individual candidates as well as the overall composition of the Flora Board or executive officers with a view to identifying and selecting the most ideal and complementary candidates.

The Flora Board has not adopted a written policy regarding the representation, identification and nomination of women to the Flora Board. The Flora Board has not set any targets with regards to the representation of women on the Flora Board. The Flora Board undertakes a thorough process for the identification and nomination of new directors to the Flora Board. Director candidates are assessed on their individual qualifications, experience and expertise and the Flora Board also considers matters related to skills, integrity, professionalism, values and independent judgement, prior to recommending a new Flora Board member. The emphasis on filling Flora Board vacancies is on finding the best qualified candidates that reflect Flora's specific needs and that will add value to Flora.

Flora has not at this time implemented specific measurable objectives regarding the proportion of females to be employed within the organisation or implemented requirements for a proportion of female candidates for executive officer appointments and Flora Board positions.

The Flora Board has not set any targets with regards to the representation of women on the Flora Board and in executive officer positions. The Flora Board considers numerous factors in identifying Flora Board candidates and executive officers, including gender, education, industry experience, and independence. As of the date hereof, the Flora Board is comprised of 29% women and Flora's executive officers are comprised of 17% women.

AUDIT COMMITTEE

The charter of the Audit Committee is attached hereto as Schedule "A" to this Appendix "F".

Relevant Education and Experience

The relevant education and experience of the members of the Audit Committee are as follows:

Name	Relevant Education and Experience	Independent	Financially Literate
John Timothy Leslie	See "*Directors and Executive Officers – Biographies*" of this Appendix "F".	Yes	Yes
Brandon Konigsberg	See "*Directors and Executive Officers – Biographies*" of this Appendix "F".	Yes	Yes
Juan Carlos Gomez Roa	See "*Directors and Executive Officers – Biographies*" of this Appendix "F".	Yes	Yes

External Auditor Service Fees

The aggregate fees billed to Flora by Davidson, Flora's external auditor, for the years ended December 31, 2021 and 2020, are as follows:

Financial Year ended December 31,	Audit Fees[1] (US$)	Audit Related Fees[2] (US$)	Tax Fees[3] (US$)	All Other Fees (US$)
2021	200,000	123,500	0	0
2020	130,000	0	0	0

Notes:

1. Includes professional services rendered in connection with the audit of Flora's annual financial statements and the review of Flora's interim financial statements.
2. Audit-related fees relate to assurance and associated services that traditionally are performed by the independent auditor including SEC filings, comfort letter, consents and comment letters in connection with regulatory filings.
3. Includes professional fees related to tax returns and other tax related services.

RISK FACTORS

The risks described below are not the only ones facing Flora. Additional risks not currently known to Flora, or that Flora currently deems immaterial, may also impair Flora's operations. If any of the following risks actually occur, Flora's business, financial condition and operating results could be adversely affected.

In evaluating Flora and its business and whether to vote in favour of the Plan of Arrangement, FGH Shareholders should carefully consider, in addition to the other information contained in the Circular, the risk factors, below. The risk factors below may not be a definitive list of all risk factors associated with the Plan of Arrangement.

Risks Related to our Business and Industry

We are an early-stage company with limited operating history and may never become profitable.

We are an early-stage company focused on cultivating, processing and supplying natural, medicinal-grade cannabis oil and high-quality cannabis derived medical and wellness products to large channel distributors and retailers globally. Newly-formed in March 2019, we have limited operating history. Flora has only started full commercial cannabis cultivation with the passage of the latest Colombian cannabis resolution after two successful years cultivating and harvesting CBD and THC for derivatives, while investigating cultivars with the ICA. We have produced oil extracts, however only on a smaller scale, and we will require time to maximize production and refine operating procedures. We are currently in discussions with distributors with whom we intend to engage although no definitive agreements have been signed until the import requirements are met with local jurisdictions. We have limited financial resources and minimal operating cash flow. For the year ended December 31, 2021, we had losses of US$21.4 million and as of December 31, 2021 an accumulated deficit of US$38.5 million.

Additionally, there can be no assurance that additional funding will be available to us for the development of our business, which will require the commitment of substantial resources. Accordingly, you should consider our prospects in light of the costs, uncertainties, delays and difficulties frequently encountered by companies in the early stages of development. Potential investors should carefully consider the risks and uncertainties that a company with a limited operating history will face. In particular, potential investors should consider that we may be unable to:

- successfully implement or execute our business plan, or that our business plan is sound;
- adjust to changing conditions or keep pace with increased demand;
- attract and retain an experienced management team; or
- raise sufficient funds in the capital markets to effectuate our business plan, including product development, licensing and approvals.

The Covid-19 outbreak or similar pandemics could adversely affect our operations.

Flora's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease and other unforeseen events, including the outbreak of respiratory illness caused by Covid-19 and the related economic repercussions. We cannot accurately predict the effects Covid-19 will have on our operations and the ability of others to meet their obligations with Flora, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect Flora's operations and ability to finance its operations.

Agricultural activity has been declared as an essential activity in Colombia. Our cultivation and processing facility in Colombia is operating under a protocol authorized by the Colombian government. At the site, all employees receive a new mask and a new set of surgical gloves daily. Hand sanitizer is provided and hand washing protocols are in place. The employees are also provided a transparent face protection mask, which is replaced every 30 days.

Recent and future acquisitions and strategic investments could be difficult to integrate, divert the attention of key management personnel, disrupt our business, dilute shareholder value, may subject us to liability, and harm our results of operations and financial condition.

We have recently acquired the businesses of VBI, JBL and HRPL, and we may in the future seek to acquire or invest in businesses, products, or technologies that we believe could complement our operations or expand our breadth, enhance our capabilities, or otherwise offer growth opportunities. Our diversity of product offerings may not be successful. While our growth strategy includes broadening our service and product offerings, implementing an aggressive marketing plan and employing product diversification, there can be no assurance that our systems, procedures and controls will be adequate to support our operations as they expand. We cannot assure you that our existing personnel, systems, procedures or controls will be adequate to support our operations in the future or that we will be able to successfully implement appropriate measures consistent with our growth strategy. As part of our planned growth and diversified product offerings, we may have to implement new operational and financial systems, procedures and controls to expand, train and manage our employee base, and maintain close coordination among our staff. We cannot guarantee that we will be able to do so, or that if we are able to do so, we will be able to effectively integrate them into our existing staff and systems. Additionally, the integration of our acquisitions and pursuit of potential future acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated. Any acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures. In addition, we have limited experience in acquiring other businesses. Specifically, we may not successfully evaluate or utilize the acquired products, assets or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges.

We may not be able to find and identify desirable acquisition targets or we may not be successful in entering into an agreement with any one target. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could harm our results of operations. In addition, if an acquired business fails to meet our expectations, our business, results of operations, and financial condition may suffer. In some cases, minority shareholders may exist in certain of our non-wholly-owned acquisitions (for businesses we do not purchase as an 100% owned subsidiary) and may retain minority shareholder rights which could make a future change of control or corporate approvals for actions more difficult to achieve and/or more costly.

We also make strategic investments in early-stage companies developing products or technologies that we believe could complement our business or expand our breadth, enhance our technical capabilities, or otherwise offer growth opportunities. These investments may be in early-stage private companies for restricted stock. Such investments are generally illiquid and may never generate value. Further, the companies in which we invest may not succeed, and our investments would lose their value.

Moreover, the anticipated benefits of any acquisition, investment, or business relationship may not be realized, or we may be exposed to unknown risks or liabilities of our acquisitions. Furthermore, we may be subject to unknown liabilities of the businesses we acquire. In addition, we may become subject to legal proceedings in connection with the businesses of, or resulting from, our acquisitions. Please see "*Legal Proceedings and Regulatory Actions – Legal Proceedings*" of this Appendix "F" for more information.

Integration of FGH

To effectively integrate FGH into Flora's current operations, Flora must be efficient and proceed in a timely manner. This includes streamlining the operational, administrative, compliance, financial, technological, management systems and control functions and marketing functions of FGH. These efforts will require substantial attention from Flora's management team. This diversion of management's attention, as well as any other difficulties which Flora may encounter in completing the transition and integration process, could have an adverse impact on Flora's business, financial condition, results of operations, prospects and cash flows. There can be no assurance that Flora will be successful in integrating its operations without the use of resources and management's attention beyond anticipated levels or that the expected benefits will be realized.

Certain conditions or events could disrupt Flora's supply chains, disrupt operations, and increase operating expenses.

Conditions or events including, but not limited to, the following could disrupt Flora's supply chains and in particular its ability to deliver its products, interrupt operations at its facilities, increase operating expenses, resulting in loss of sales, delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the Covid-19, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity; (iii) political instability, social and labor unrest, war or terrorism, including the current conflict between Russia and Ukraine; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

Cannabis laws, regulations, and guidelines are dynamic and subject to changes.

Cannabis laws and regulations are dynamic and subject to evolving interpretations which could require us to incur substantial costs associated with compliance or alter certain aspects of our business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of our businesses. We cannot predict the nature of any future laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business. Management expects that the legislative and regulatory environment in the cannabis industry in Colombia and internationally will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this nascent industry for the foreseeable future. Compliance with any such legislation may have a material adverse effect on our business, financial condition and results of operations.

Public opinion can also exert a significant influence over the regulation of the cannabis industry. A negative shift in the public's perception of the cannabis industry could affect future legislation or regulation in different jurisdictions.

Demand for cannabis and derivative products could be adversely affected and significantly influenced by scientific research or findings, regulatory proceedings, litigation, media attention or other research findings.

The legal cannabis industry is at an early stage of its development. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of medicinal cannabis are mixed and evolving and can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medicinal cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medicinal cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity, could have a material adverse effect on the demand for medicinal cannabis and on our business, results of operations, financial condition and cash flows. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of medicinal cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medicinal cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. Our ability to gain and increase market acceptance of our business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure to materialize into significant demand may have an adverse effect on our financial condition.

Damage to Flora's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether such publicity is accurate or not.

The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding Flora and its activities, whether true or not. Although Flora believes that it operates in a manner that is respectful to all stakeholders and that it takes pride in protecting its image and reputation, it does not ultimately have direct control over how it is perceived by others. Reputational loss may result in decreased ability

to enter into new customer, distributor or supplier relationships, retain existing customers, distributors or suppliers, reduced investor confidence and access to capital, increased challenges in developing and maintaining community relations and an impediment to our overall ability to advance our projects, thereby having a material adverse effect on our financial performance, financial condition, cash flows and growth prospects.

We are subject to the inherent risk of exposure to product liability claims, actions and litigation.

As a distributor of products designed to be ingested by humans, we face an inherent risk of exposure to product liability claims, regulatory action and litigation if our products are alleged to have caused bodily harm or injury. In addition, the sale of our products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from human consumption of our products alone or in combination with other medications or substances could occur. We may be subject to various product liability claims, including, among others, that our products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances. Product liability claims or regulatory actions against us could result in increased costs, could adversely affect our reputation with our clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition. There can be no assurances that we will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of our potential products.

We are subject to the inherent risks involved with product recalls.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of our products are recalled due to an alleged product defect or for any other reason, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. We may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin, or at all. In addition, a product recall may require significant management attention. There can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if our products are subject to recall, our reputation could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for our products and could have a material adverse effect on our results of operations and financial condition. Additionally, product recalls may lead to increased scrutiny of our operations by regulatory agencies, requiring further management attention, potential loss of applicable licenses, and potential legal fees and other expenses.

Flora's products could have unknown side effects.

If the products that Flora sells are not perceived to have the effects intended by the end user, its business may suffer and the business may be subject to products liability or other legal actions. Many of Flora's products contain innovative ingredients or combinations of ingredients. There is little long-term data available with respect to efficacy, unknown side effects and/or interaction with individual human biochemistry, or interaction with other drugs. Moreover, there is little long-term data available with respect to efficacy, unknown side effects and/or its interaction with individual animal biochemistry. As a result, Flora's products could have certain side effects if not taken as directed or if taken by an end user that has certain known or unknown medical conditions.

Flora may be unable to anticipate changes in its potential client requirements that could make Flora's existing products and services obsolete. Flora's success will depend, in part, on its ability to continue to enhance its product and service offerings so as to address the increasing sophistication and varied needs of the market and respond to technological and regulatory changes and emerging industry standards and practices on a timely and cost-effective basis.

Research regarding the medical benefits, viability, safety, efficacy, use and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages.

There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although Flora believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated herein or reach negative conclusions related to medical cannabis, which could have a material adverse effect on the demand for Flora's products, which could result in a material adverse effect on our business, financial condition and results of operations or prospects.

Our growth depends, in part, on expanding into additional consumer markets, and we may not be successful in doing so.

We believe that our future growth depends not only on continuing to provide our current customers with new products, but also continuing to enlarge our customer base. The growth of our business will depend, in part, on our ability to continue to expand in the United States, as well as into international markets. We are investing significant resources in these areas, and although we hope that our products will gain popularity, we may face challenges that are different from those we currently encounter, including competitive merchandising, distribution, hiring, and other difficulties. We may also encounter difficulties in attracting customers due to a lack of consumer familiarity with or acceptance of our brand, or a resistance to paying for premium products, particularly in international markets. In addition, although we are investing in sales and marketing activities to further penetrate newer regions, including expansion of our dedicated sales force, we may not be successful. If we are not successful, our business and results of operations may be harmed.

Fluctuations in the cost and availability of raw materials, equipment, labor, and transportation could cause manufacturing delays or increase our costs.

The price and availability of key components used to manufacture our products has been increasing and may continue to fluctuate significantly. In addition, the cost of labor within our company or at our third-party manufacturers could increase significantly due to regulation or inflationary pressures. Additionally, the cost of logistics and transportation fluctuates in large part due to the price of oil, and availability can be limited due to political and economic issues. Any fluctuations in the cost and availability of any of our raw materials, packaging, or other sourcing or transportation costs could harm our gross margins and our ability to meet customer demand. If we are unable to successfully mitigate a significant portion of these product cost increases or fluctuations, our results of operations could be harmed.

We rely on third-parties for raw materials and to manufacture and compound some of our products. We have no control over these third parties and if these relationships are disrupted our results of operations in future periods will be adversely impacted.

We currently hold short term supply contracts with unaffiliated third-party vendors for our critical raw materials. In addition, some of our products are manufactured or compounded by unaffiliated third parties and the use of these third-party co-packers changes from time to time due to customer demand and the composition of our product mix and product portfolio. We do not have any long-term contracts with any of these third parties, and we expect to compete with other companies for raw materials, production and imported packaging material capacity. If we experience significant increased demand or need to replace an existing raw material supplier or third-party manufacturer, there can be no assurances that replacements for these third-party vendors will be available when required on terms that are acceptable to us, or at all, or that any manufacturer or compounder would allocate sufficient capacity to us in order to meet our requirements. In addition, even if we are able to expand existing or find new sources, we may encounter delays in production and added costs as a result of the time it takes to engage third parties. Any delays, interruption or increased costs in raw materials and/or the manufacturing or compounding of our products could have an adverse effect on our ability to meet retail customer and consumer demand for our products and result in lower revenues and net income both in the short and long-term.

Flora's inventory has a shelf life and may reach its expiration and not be sold.

Flora holds finished goods in inventory and its inventory has a shelf life. Finished goods in Flora's inventory may include cannabis flower, cannabis oil products and cosmeceuticals. Flora's inventory may reach its expiration and not be sold. Although management regularly reviews the quantity and remaining shelf life of inventory on hand, and estimates manufacturing and sales lead times in order to manage its inventory, write-downs of inventory may still be required. Any such write-down of inventory could have a material adverse effect on Flora's business, financial condition, and results of operations.

Flora may not be able to maintain effective quality control systems.

Flora may not be able to maintain an effective quality control system. Flora ascribes its early successes, in part, on its commitment to product quality and its effective quality control system. The effectiveness of Flora's quality control system and its ability to obtain or maintain GMP certification with respect to its manufacturing, processing and testing facilities depend on a number of factors, including the design of its quality control procedures, training programs, and its ability to ensure that its employees adhere to Flora's policies and procedures. Flora also depends on service providers such as toll manufacturers and contract laboratories to manufacture, process or test its products that are subject to GMP certification requirements.

We expect that regulatory agencies will periodically inspect our and our service providers' facilities to evaluate compliance with applicable GMP requirements. Failure to comply with these requirements may subject us or our service providers to possible regulatory enforcement actions. Any failure or deterioration of Flora's or its service providers' quality control systems, including loss of GMP certification, may have a material adverse effect on Flora's business, results of operations and financial condition.

Energy prices and supply may be subject to change or curtailment due to new laws or regulations, imposition of new taxes or tariffs, interruptions in production by suppliers, imposition of restrictions on energy supply by government, worldwide price levels and market conditions.

Flora requires diesel and electric energy and other resources for its cultivation and harvest activities and for transportation of cannabis. Flora relies upon third parties for its supply of energy resources used in its operations. The prices for and availability of energy resources may be subject to change or curtailment, respectively, due to, among other things, new laws or regulations, imposition of new taxes or tariffs, interruptions in production by suppliers, imposition of restrictions on energy supply by government, worldwide price levels and market conditions. Although Flora attempts to mitigate the effects of fuel shortages, electricity outages and cost increases, Flora's operations will continue to depend on external suppliers of fuel and electricity. If energy supply is cut for an extended period and Flora is unable to find replacement sources at comparable prices, or at all, Flora's business, financial condition and results of operations could be materially and adversely affected.

The cannabinoid industry faces strong opposition and may face similar opposition in other jurisdictions in which we operate.

Many political and social organizations oppose hemp and cannabis and their legalization, and many people, even those who support legalization, oppose the sale of hemp and cannabis in their geographies. Our business will need support from local governments, industry participants, consumers and residents to be successful. Additionally, there are large, well-funded businesses that may have a strong opposition to the cannabis industry. For example, the pharmaceutical and alcohol industries have traditionally opposed cannabis legalization. Any efforts by these or other industries to halt or impede the cannabis industry could have detrimental effects on our business.

We are subject to the risks inherent in an agricultural business.

Our business involves the growing of cannabis, which is an agricultural product. The occurrence of severe adverse weather conditions, especially droughts, fires, storms or floods is unpredictable and may have a potentially devastating impact on agricultural production and may otherwise adversely affect the supply of cannabis. Adverse weather conditions may be exacerbated by the effects of climate change and may result in the introduction and increased frequency of pests and diseases. The effects of severe adverse weather conditions may reduce our yields or require us

to increase our level of investment to maintain yields. Additionally, higher than average temperatures and rainfall can contribute to an increased presence of insects and pests, which could negatively affect cannabis crops. Future droughts might reduce the yield and quality of our cannabis production, which could materially and adversely affect our business, financial condition and results of operations.

The occurrence and effects of plant disease, insects and pests can be unpredictable and devastating to agricultural production, potentially rendering all or a substantial portion of the affected harvests unsuitable for sale. Even when only a portion of the production is damaged, our results of operations could be adversely affected because all or a substantial portion of the production costs may have been incurred. Although some plant diseases are treatable, the cost of treatment can be high and such events could adversely affect our operating results and financial condition. Furthermore, if we fail to control a given plant disease and the production is threatened, we may be unable to adequately supply our customers, which could adversely affect our business, financial condition and results of operations. There can be no assurance that natural elements will not have a material adverse effect on production.

Flora could face competitive risks from the development and distribution of synthetic cannabis.

The pharmaceutical industry and others may attempt to enter the cannabis industry and, in particular, the medical cannabis industry through the development and distribution of synthetic products that emulate the effects of and treatment provided by naturally occurring cannabis. If synthetic cannabis products are widely adopted, the widespread popularity of such synthetic cannabis products could change the demand, volume and profitability of the botanical cannabinoid industry. This could adversely affect our ability to secure long-term profitability and success through the sustainable and profitable operation of our business.

Flora is reliant on third party transportation services and importation services to deliver its products to customers.

Flora relies on third party transportation services and importation services to deliver its products to its customers. Flora is exposed to the inherent risks associated with relying on third party transportation service-providers, including logistical problems, delays, loss or theft of product and increased shipping and insurance costs. Any delay in transporting the product, breach of security or loss of product, could have a material adverse effect on Flora's business, financial performance and results of operations. Further, any breach of security and loss of product during transport could affect Flora's status as a licensed producer in Colombia.

Flora is dependent on suppliers to supply equipment, parts and components for the operation of its business.

Flora's ability to compete and grow will be dependent upon having access, at a reasonable cost and in a timely manner, to equipment, parts and components. No assurances can be given that Flora will be successful in maintaining the required supply of equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by capital expenditure programs may be significantly greater than anticipated or available, in which circumstance there could be a materially adverse effect on Flora's financial results.

We may not be able to establish and maintain bank accounts in certain countries.

There is a risk that banking institutions in countries where we operate will not open accounts for us or will not accept payments or deposits from proceeds related to the cannabis industry. Such risks could increase our costs or prevent us from expanding into certain jurisdictions.

Flora may be subject to cyber-security and privacy risks that could disrupt its operations and expose Flora to financial losses, contractual losses, liability, reputational damage and additional expense.

Flora may be subject to risks related to our information technology systems, including cyber-attacks, malware, ransomware and phishing attacks that could target our intellectual property, trade secrets, financial information, personal information of our employees, customers and patients, including sensitive personal health information. The occurrence of such an attack could disrupt our operations and expose Flora to financial losses, contractual damages, liability under labor and privacy laws, reputational damage and additional expenses. We have implemented security measures to protect our data and information technology systems; however, such measures may not be effective in preventing cyber-attacks. We may be required to allocate additional resources to implement additional preventative

measures including significant investments in information technology systems. A serious cyber-security breach could have a material adverse effect on our business, financial condition and results of operations.

Flora may collect and store certain personal information about customers and is responsible for protecting such information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. In addition, theft of data is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such privacy breach or theft could have a material adverse effect on Flora's business, financial condition and results of operations. If Flora were found to be in violation of privacy or security rules or other laws protecting the confidentiality of information, Flora could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on Flora's business, financial condition and results of operations.

Flora may incur significant costs to defend its intellectual property and other proprietary rights.

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights are significant aspects of Flora's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use Flora's products and technology. Policing the unauthorized use of the Flora's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others.

In addition, other parties may claim that Flora's products infringe on their proprietary and perhaps patent protected rights. Such claims, regardless of their merit, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions, temporary restraining orders and/or require the payment of damages. As well, Flora may need to obtain licenses from third parties who allege that Flora has infringed on their lawful rights. Such licenses may not be available on terms acceptable to Flora or at all. In addition, Flora may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

Risks Related to Operations in Colombia

We are reliant on certain licenses and authorizations to operate in Colombia.

Our ability to grow, store and sell cannabis in Colombia is dependent on our ability to sustain and/or obtain the necessary licenses and authorizations by certain authorities in Colombia. To date, we have received the Non-Psychoactive Cannabis Cultivation License, the Cannabis Derivatives Manufacturing License and the Psychoactive Cannabis Cultivation License including a quota for export of 43,500 kilograms in 2022. The effects of the compliance regime, any delays in obtaining, or failure to obtain or keep the regulatory approvals may significantly delay or impair the development of markets, products and sales initiatives and could have a material adverse effect on our business, results of operations and financial condition. In addition, the medical cannabis compliance process requires research phases to ensure both the cultivation process and subsequent derivatives are standardized and express the same or similar cannabinoid and terpene profiles while remaining free of pesticides, heavy metals and other microbial or external containments. Therefore any delay or changes in these conditions may significantly delay or impair products and sales initiatives and could have an adverse effect on our business.

The licenses and authorizations are subject to ongoing compliance and reporting requirements and our ability to obtain, sustain or renew any such licenses and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in Colombia and potentially in other foreign jurisdictions. Failure to comply with the requirements of the licenses or authorizations or any failure to maintain the licenses or authorizations would have a material adverse effect on our business, financial condition and operating results. Specifically, the validity of the licenses for the cultivation of psychoactive cannabis, non-psychoactive and the manufacture of cannabis derivatives is 10 years pursuant to Article 8 of resolution 227 of 2022, in accordance with the provisions of article 2.8. 11 .2 .1.8. replacement by Decree 811 of 2021 and the Law 1787 of 2016 in relation to the medical and scientific use of cannabis. Such licenses may be renewed for an equal period as many times as requested by the licensee. The license will remain valid as long as it complies with the requirements established by law.

Although we believe that we will meet the requirements to obtain, sustain or renew the necessary licenses and authorizations, there can be no guarantee that the applicable authorities will issue these licenses or authorizations.

Should the authorities fail to issue the necessary licenses or authorizations, we may be curtailed or prohibited from the production and/or distribution of cannabis or from proceeding with the development of our operations as currently proposed and our business, results of operations and financial condition may be materially adversely affected.

Restrictions or regulations concerning changes in corporate structure may discourage transactions that otherwise could involve payment of a premium over prevailing market processes for our securities.

Colombian cannabis licenses are granted on a non-transferable, non-exchangeable and non-assignable basis. Any breach of this restriction may result in the revocation of the license. While there are no specific regulations or restrictions regarding the effects of a change in control, modification of the corporate structure, issuance of shares, or any changes in holders or final beneficiaries on the cannabis licenses, these restrictions may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our securities.

While we do not currently operate in protected areas established by the National System of Protected Areas, we cannot provide assurances that areas in which we operate will not be subject to risks associated therewith in the future.

Under Colombian laws, competent governmental authorities are not allowed to grant any type of cannabis licenses on properties that are located within areas registered as national parks or protected areas in the SINAP. Additionally, the Colombian government is entitled to create new protected areas based on their environmental relevance, which might result in the prohibition to conduct any type of activities on those areas or the need to obtain specific environmental authorizations or permits.

We do not operate in a protected area and we believe that we are not currently at risk of expropriation pursuant to the SINAP, but we cannot assure you that the areas in which we operate will not be subject to such risks in the future.

Economic and political conditions in Colombia may have an adverse effect on our financial condition and results of operations.

Many of our operations are located in Colombia. Consequently, a portion of our financial condition and results of operations depend significantly on macroeconomic and political conditions prevailing in Colombia. Decreases in the growth rate, periods of negative growth, increases in inflation, changes in law, regulation, policy, or future judicial rulings and interpretations of policies involving exchange controls and other matters such as (but not limited to) currency depreciation, inflation, interest rates, taxation, banking laws and regulations and other political or economic developments in or affecting Colombia may affect the overall business environment and may, in turn, adversely affect our financial condition and results of operations in the future. The Colombian government frequently intervenes in Colombia's economy and from time to time makes significant changes in monetary, fiscal and regulatory policy. Our business and results of operations or financial condition may be adversely affected by changes in government or fiscal policies, and other political, diplomatic, social and economic developments that may affect Colombia. We cannot predict what policies the Colombian government will adopt and whether those policies would have a negative effect on the Colombian economy or on our business and financial performance in the future.

We cannot assure you whether current stability in the Colombian economy will be sustained. If the condition of the Colombian economy were to deteriorate, we would likely be adversely affected.

Certain of Flora's key documents are in Spanish, and translations may not exist or be readily available.

As a result of Flora conducting its operations in Colombia, certain of Flora's subsidiaries' books and records, including key documents such as material contracts and financial documentation are principally negotiated and entered into in the Spanish language and English translations may not exist or be readily available. Flora relies on the use of professional translators for in person meetings with non-Spanish speakers where required, and for document translation. Flora does not foresee that significant additional accommodations will be required. Flora does not have a formal communication plan that sets out measures that will be taken to mitigate any potential communication-related issues as it does not consider one necessary. All material documents provided to the directors are in the English language. If any material documents are in an original language other than English, the documents are translated by certified translators. All members of the Flora Board and its executive officers are fluent in English. Additionally, Luis Merchan, our Chairman and CEO and Juan Carlos Gomez Roa, a director, are fluent in the Spanish language.

The Colombian government and the Central Bank exercise significant influence on Colombia's economy and may create instability or pressure on the Colombian peso versus US dollar.

Although the Colombian government has not imposed foreign exchange restrictions since 1990, Colombia's foreign currency markets have historically been extremely regulated. Colombian law permits the Central Bank to impose foreign exchange controls to regulate the remittance of dividends and/or foreign investments in the event that the foreign currency reserves of the Central Bank fall below a level equal to the value of three months of imports of goods and services into Colombia. An intervention that precludes our Colombian subsidiary from possessing, utilizing or remitting U.S. Dollars would impair our financial condition and results of operations, and would impair the Colombian subsidiary's ability to convert any dividend payments to U.S. dollars.

The Colombian government and the Central Bank may also seek to implement new policies aimed at controlling further fluctuation of the Colombian peso against the U.S. dollar and fostering domestic price stability. The Central Bank may impose certain mandatory deposit requirements in connection with foreign-currency denominated loans obtained by Colombian residents. We cannot predict or control future actions by the Central Bank in respect of such deposit requirements, which may involve the establishment of a different mandatory deposit percentage. The U.S. dollar/Colombian peso exchange rate has shown some instability in recent years.

Colombia has experienced several periods of violence and instability that could affect the economy and Flora.

Colombia has experienced periods of criminal violence over the past four decades, primarily due to the activities of guerilla groups and drug cartels. Despite the peace treaty between the Colombian government and the Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia or FARC), a lasting decrease in violence or drug-related crime in Colombia or the successful integration of former guerilla members into Colombian society may not be achieved. In 2018, the Colombian government suspended the peace negotiations with the National Liberation Army (Ejército de Liberación Nacional or ELN) and, in 2019, a minority group of dissidents of the peace process with FARC announced their return to illegal activities. Violence incidents could create a security risk for our key employees in Colombia and require them to leave the country.

Allegations of corruption against the Colombian government, at the national or local level, politicians and private industry could create economic and political uncertainty should the investigations triggered by these cases reach conclusions or result in further allegations or findings of illicit conduct committed by the accused parties. Furthermore, proven or alleged wrongdoings could have adverse effects on the political stability in Colombia and the Colombian economy.

An escalation of violence, drug-related crime, or political instability may have a negative impact on the Colombian economy and on our business, financial condition and results of operations.

Flora is subject to risks from its construction projects.

Flora is subject to a number of risks in connection with the construction of facilities in Colombia and the United States, including the availability and performance of engineers and contractors, suppliers and consultants and the receipt of required governmental approvals, licenses and permits. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which Flora is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals, licenses and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with any capital or construction project.

Any additional taxes resulting from changes to tax regulations or the interpretation thereof in Colombia or other countries where we operate, could adversely affect our consolidated results.

Uncertainty relating to tax legislation poses a constant risk to us. Colombian national authorities have levied new taxes in recent years. Changes in legislation, regulation and jurisprudence can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting stated expenses and deductions, and eliminating incentives and non-taxed income.

Additional tax regulations could be implemented that could require us to make additional tax payments, negatively affecting our financial condition, results of operation, and cash flow. In addition, either national or local taxing authorities may not interpret tax regulations in the same way that we do. Differing interpretations could result in future tax litigation and associated costs.

Risks Related to Our Regulatory Framework

Marijuana remains illegal under U.S. federal law, and the enforcement of U.S. cannabis laws could change.

There are significant legal restrictions and regulations that govern the cannabis industry in the United States. Marijuana remains a Schedule I drug under the Controlled Substances Act, making it illegal under federal law in the United States to, among other things, cultivate, distribute or possess cannabis in the United States. In those states in which the use of marijuana has been legalized, its use remains a violation of federal law pursuant to the Controlled Substances Act. The Controlled Substances Act classifies marijuana as a Schedule I controlled substance, and as such, medical and adult cannabis use is illegal under U.S. federal law. Unless and until the U.S. Congress amends the Controlled Substances Act with respect to marijuana (and the President approves such amendment), there is a risk that federal authorities may enforce current federal law. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable U.S. federal money laundering legislation. While the approach to enforcement of such laws by the federal government in the United States has trended toward non-enforcement against individuals and businesses that comply with medical or adult-use cannabis regulatory programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve us of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against us. Since U.S. federal law criminalizing the use of marijuana preempts state laws that legalize its use, enforcement of federal law regarding marijuana is a significant risk and would greatly harm our business, prospects, revenue, results of operation and financial condition. The enforcement of federal laws in the United States is a risk to our business and any proceedings brought against us thereunder may materially, adversely affect our operations and financial performance.

Our activities are, and will continue to be, subject to evolving regulation by governmental authorities. The legality of the production, cultivation, extraction, distribution, retail sales, transportation and use of cannabis differs among states in the United States. Due to the current regulatory environment in the United States, new risks may emerge; management may not be able to predict all such risks.

Due to the conflicting views between state legislatures and the federal government regarding cannabis, cannabis businesses are subject to inconsistent laws and regulations. There can be no assurance that the federal government will not enforce federal laws relating to marijuana and seek to prosecute cases involving marijuana businesses that are otherwise compliant with state laws in the future. The prior U.S. administration attempted to address the inconsistent treatment of cannabis under state and federal law in the Cole Memorandum that Deputy Attorney General James Cole sent to all U.S. Attorneys in August 2013, which outlined certain priorities for the DOJ relating to the prosecution of cannabis offenses. The Cole Memorandum noted that, in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, production, distribution, sale and possession of cannabis, conduct in compliance with such laws and regulations was not a priority for the DOJ. However, the DOJ did not provide (and has not provided since) specific guidelines for what regulatory and enforcement systems would be deemed sufficient under the Cole Memorandum.

There can be no assurance that the federal government will not enforce federal laws relating to cannabis and seek to prosecute cases involving cannabis businesses that are otherwise compliant with state laws in the future. Most states that have legalized cannabis continue to craft their regulations pursuant to the Cole Memorandum. Federal enforcement agencies have taken little or no action against state-compliant cannabis businesses. However, the DOJ may change its enforcement policies at any time, with or without advance notice.

The uncertainty of U.S. federal enforcement practices going forward and the inconsistency between U.S. federal and state laws and regulations present major risks for Flora.

Changes to federal or state laws pertaining to industrial hemp could slow the use of industrial hemp which would materially impact our revenues in future periods.

As of the date hereof, approximately 46 states have authorized industrial hemp programs pursuant to the United States of the Agricultural Improvement Act of 2018, commonly known as the "Farm Bill," or under prior programs authorized under the 2014 Farm Bill or have plans under review by the USDA. Effective January 1, 2022, several states without an approved plan under the Farm Bill, or a plan under review, will default to the USDA Hemp Producer License. Continued development of the industrial hemp industry will be dependent upon new legislative authorization of industrial hemp at the state level, and further amendment or supplementation of legislation at the federal level. Any number of events or occurrences could slow or halt progress all together in this space. While progress within the industrial hemp industry is currently encouraging, growth is not assured. While there appears to be ample public support for favorable legislative action, numerous factors may impact or negatively affect the legislative process(es) within the various states where we have business interests. Any one of these factors could slow or halt use of industrial hemp, which could negatively impact the business up to possibly causing us to discontinue operations as a whole. In addition, changes in Federal or state laws could require us to alter the way we conduct our business in order to remain compliant with applicable state laws in ways we are presently unable to foresee. These possible changes, if necessary, could be costly and may adversely impact our results of operations in future periods.

Uncertainty caused by potential changes to legal regulations could impact the use of CBD products.

There is substantial uncertainty and different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses as to the scope of operation of Farm Bill-compliant hemp programs relative to the emerging regulation of cannabinoids. These different opinions include, but are not limited to, the regulation of cannabinoids by the U.S. Drug Enforcement Administration and/or the FDA and the extent to which manufacturers of products containing Farm Bill-compliant cultivators and processors may engage in interstate commerce. The uncertainties cannot be resolved without further federal, and perhaps even state-level, legislation, regulation or a definitive judicial interpretation of existing legislation and rules. If these uncertainties continue, they may have an adverse effect upon the introduction of our products in different markets.

Any failure on our part to comply with applicable regulations could prevent us from being able to carry on our business, and there may be additional costs associated with any such failure.

Our business activities are heavily regulated in all jurisdictions where we do business. Our operations are subject to various laws, regulations and guidelines by governmental authorities relating to the cultivation, processing, manufacture, marketing, management, distribution, transportation, storage, sale, packaging, labeling, pricing and disposal of cannabis and cannabis products. In addition, we are subject to laws and regulations relating to employee health and safety, insurance coverage and the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over our activities, including the power to limit or restrict business activities as well as impose additional disclosure requirements on our products and services.

Any failure by us to comply with the applicable regulatory requirements could:

- require extensive changes to our operations
- result in regulatory or agency proceedings or investigations;
- result in the revocation of our licenses and permits, increased compliance costs;
- result in damage awards, civil or criminal fines or penalties;
- result in restrictions on our operations;
- harm our reputation; or
- give rise to material liabilities.

There can be no assurance that any future regulatory or agency proceedings, investigations or audits will not result in substantial costs, a diversion of management's attention and resources or other adverse consequences to our business.

Achievement of our business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all necessary regulatory approvals for the cultivation, processing,

production, storage, distribution, transportation, sale, import and export, as applicable, of our products. Any failure to comply with the regulatory requirements applicable to our operations may lead to possible sanctions, including:

- the revocation or imposition of additional conditions on licenses to operate our business;
- the suspension or expulsion from a particular market or jurisdiction or of our key personnel;
- the imposition of additional or more stringent inspection, testing and reporting requirements;
- product recalls or seizures; and
- the imposition of fines and censures.

In addition, changes in regulations, government or judicial interpretation of regulations, or more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations, increase compliance costs or give rise to material liabilities or a revocation of our licenses and other permits. Furthermore, governmental authorities may change their administration, application or enforcement procedures at any time, which may adversely affect our ongoing regulatory compliance costs. There is no assurance that we will be able to comply or continue to comply with applicable regulations.

The FDA limits the ability to discuss the medical benefits of CBD.

Under FDA rules it is illegal for companies to make "health claims" or claim that a product has a specific medical benefit. The FDA has not recognized any medical benefits derived from CBD, which means that we are not legally permitted to advertise any potential health claims related to our CBD products. Because of the perception among many consumers that CBD is a health/medicinal product, the inability to make such health claims about its CBD products may limit our ability to market and sell products to consumers, which would negatively affect our revenues and profits.

The legal cannabis market is a relatively new industry. As a result, the size of our target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data.

Because the cannabis industry is in a nascent stage, there is a lack of information about comparable companies available for potential investors to review and to decide whether to invest in us and, few, if any, established companies whose business model we can follow or upon whose success we can build. Accordingly, investors should rely on their own estimates regarding the potential size, economics and risks of the cannabis market in deciding whether to invest in Flora Shares. We are an early-stage company that has not generated net income. There can be no assurance that our growth estimates are accurate or that the cannabis market will be large enough for our business to grow as projected.

Although we are committed to researching and developing new markets and products and improving existing products, there can be no assurances that such research and market development activities will prove profitable or that the resulting markets or products, if any, will be commercially viable or successfully produced and marketed. We must rely largely on our own market research to forecast sales and design products as detailed forecasts and consumer research are not generally obtainable from reliable third-party sources in Canada and in other international jurisdictions.

In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. We could also be subject to other events or circumstances that adversely affect the cannabis industry, such as the imposition of further restrictions on sales and marketing or further restrictions on sales in certain areas and markets.

Risks Related to Financials and Accounting

We may increase our foreign sales in the future, and such sales may be subject to unexpected regulatory requirements and other barriers.

Our functional currency is denominated in U.S. dollars. We currently expect that a portion of our sales will be denominated in Colombian pesos and we may, in the future, have sales denominated in the currencies of additional countries in which we establish operations or distribution. In addition, we incur a portion of our operating expenses in Colombian pesos. In the future, the proportion of our sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign

currencies may negatively affect our business, financial condition and results of operations. We have not previously engaged in foreign currency hedging. If we decide to hedge our foreign currency exposure, we may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide from foreign currency fluctuations and can themselves result in losses.

Assumptions, estimates and judgments related to critical accounting matters could significantly affect our reported financial results or financial condition.

The preparation of financial statements in conformity with IFRS issued by the IASB requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. We base our estimates on limited historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the notes to our financial statements, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Our operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the price of Flora Shares. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

There are tax risks Flora may be subject to in carrying on business in multiple jurisdictions.

We and our subsidiaries will operate and, accordingly, will be subject to income tax and other forms of taxation in multiple jurisdictions. We may be subject to income taxes and non-income taxes in a variety of jurisdictions and our tax structure may be subject to review by both domestic and foreign taxation authorities. Those tax authorities may disagree with our interpretation and/or application of relevant tax rules. A challenge by a tax authority in these circumstances might require us to incur costs in connection with litigation against the relevant tax authority or reaching a settlement with the tax authority and, if the tax authority's challenge is successful, could result in additional taxes (perhaps together with interest and penalties) being assessed on us, and as a result an increase in the amount of tax payable by us. In addition, we may be subject to different taxes imposed by the Colombian government, and changes within such tax, legal and regulatory framework may have an adverse effect on our financial results.

Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates are also subject to change. Therefore, our earnings may be affected by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. The determination of our provision for income taxes and other tax liabilities will require significant judgment (including based on external advice) as to the interpretation and application of these rules. We may have exposure to greater than anticipated tax liabilities or expenses.

Additionally, dividends and other intra-group payments made by our subsidiaries or international branches may expose the recipients of such payments to taxes in their jurisdictions of organization and operation and such dividends and other intra-group payments may also be subject to withholding taxes imposed by the jurisdiction in which the entity making the payment is organized or tax resident. Unless such withholding taxes are fully creditable or refundable, dividends and other intra-group payments may increase the amount of tax paid by us. Although Flora and its subsidiaries arrange themselves and their affairs with a view to minimizing the incurrence of such taxes, there can be no assurance that we will succeed.

Restrictions on Deduction of Certain Expenses for U.S. Federal Income Tax Purposes

Section 280E of the Code, prohibits businesses from deducting certain expenses associated with trafficking-controlled substances for United States federal income tax purposes. The IRS has invoked Code Section 280E in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state laws. Section 280E of the Code prohibits cannabis businesses that are deemed to be trafficking in controlled substances from deducting certain ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. The effective tax rate on a cannabis business depends on how large its ratio of non-deductible

expenses is to its total revenues. Therefore, businesses in the legal cannabis industry may be less profitable than they would otherwise be.

Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative bodies and federal courts challenging these restrictions, there is no guarantee that these authorities will issue an interpretation of Code Section 280E favorable to cannabis businesses.

There is a risk that we will be a PFIC for U.S. federal income tax purposes for the current or any future taxable year, which could result in material adverse U.S. federal income tax consequences if you are a U.S. holder.

If we (or any of our non-U.S. subsidiaries) is a PFIC for any taxable year during which a U.S. holder owns Flora Shares, certain adverse U.S. federal income tax consequences could apply to such U.S. holder. The determination of whether a corporation is a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules that are subject to differing interpretations. In addition, the determination of whether a corporation will be a PFIC for any taxable year generally can only be made after the close of such a taxable year. Therefore, it is possible that we could be classified as a PFIC for our initial taxable year or in future years due to changes in the nature of our business, composition of our assets or income, as well as changes in our market capitalization. Based upon the foregoing, it is uncertain whether we will be a PFIC for our current taxable year or any future taxable year. We have not determined, if we (or any of our non-U.S. subsidiaries) were to be classified as a PFIC for a taxable year, whether we will provide information necessary for a U.S. Holder to make a "qualified electing fund" election which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs. Accordingly, U.S. holders should assume that they will not be able to make a qualified electing fund election with respect to Flora Shares. The PFIC rules are complex, and each U.S. holder should consult its tax advisor regarding the PFIC rules, the elections which may be available to it, and how the PFIC rules may affect the U.S. federal income tax consequences relating to the ownership and disposition of Flora Shares.

Failure to develop our internal controls over financial reporting as we grow could have an adverse effect on our operations.

As we mature, we will need to continue to develop and improve our current internal control systems and procedures to manage our growth. We are required to establish and maintain appropriate internal controls over financial reporting. Failure to establish appropriate controls, or any failure of those controls once established, could adversely affect our public disclosures regarding our business, financial condition or results of operations. In addition, management's assessment of internal controls over financial reporting may identify weaknesses and conditions that need to be addressed in our internal controls over financial reporting or other matters that may raise concerns for investors. For example, the re-audit of our financial statements for the period March 13, 2019 (inception) to December 31, 2019, under the PCAOB auditing standards, identified changes in expenditures that were not appropriately recorded and founders' warrants that were revalued. Additionally, during the 2020 audit, Flora's auditors noted material weaknesses and made certain recommendations to management regarding material weaknesses related to goodwill impairment testing, financial reporting processes related to newly acquired subsidiaries in Colombia and intercompany and related party transactions (the "**2020 Material Weaknesses**"). Our management took steps to remediate the 2020 Material Weaknesses through our hiring of additional accounting personnel in Canada, the United States and Colombia and our engagement of a third-party expert with respect to, among other things, impairment testing. As a result, our management believes the weaknesses relating to financial reporting processes related to newly acquired subsidiaries in Colombia and intercompany and related party transactions have been remediated as of December 31, 2021 and Flora continues to allocate additional resources to remediate the material weakness related to goodwill impairment testing (as described below). During the 2021 audit, Flora's auditors noted material weaknesses and made certain recommendations to management regarding material weaknesses related to goodwill impairment testing and purchase price allocations, contract receivables and corresponding revenue and inventory procedures (the "**2021 Material Weaknesses**"). In connection with the 2021 Material Weaknesses, Flora intends to allocate resources to its remediation plan, including (i) continuing to enhance our impairment testing procedures with the assistance of our third party experts (ii) implementing enhanced credit assessment over the creditworthiness of certain contract receivables and their corresponding revenue and (iii) implementing regularly scheduled physical inventory counts in all company locations and reconciling with internal accounting records. Any actual or perceived weaknesses and

conditions that need to be addressed in our internal control over financial reporting, disclosure of management's assessment of our internal controls over financial reporting or disclosure of our public accounting firm's attestation to or report on management's assessment of our internal controls over financial reporting may have an adverse effect on the price of Flora Shares.

Risks Related to Flora Shares

Investing in an emerging market poses a greater degree of risk than investing in more mature market economies.

Emerging market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments. We conduct significant operations in Colombia. Please see "*Risk Factors – Risks Related to Operations in Colombia*" of this Appendix "F" for more information.

We will need, but may be unable to, obtain additional funding on satisfactory terms, which could dilute our shareholders or impose burdensome financial restrictions on our business.

In the future, we hope to rely on revenues generated from operations to fund all of the cash requirements of our activities. However, there can be no assurance that we will be able to generate any significant cash from our operating activities in the future. Future financings may not be available on a timely basis, in sufficient amounts or on terms acceptable to us, if at all. Any debt financing or other financing of securities senior to the Flora Shares will likely include financial and other covenants that will restrict our flexibility. Any failure to comply with these covenants would have a material adverse effect on our business, prospects, financial condition and results of operations because we could lose our existing sources of funding and impair our ability to secure new sources of funding. There can be no assurance that we will be able to generate any investor interest in our securities. If we do not obtain additional financing, our business may never commence, in which case you would likely lose the entirety of your investment in Flora.

Holders of Flora Shares are subject to dilution resulting from the issuance of equity-based compensation by us.

We have awarded stock options to our management to incentivize their performance and retention. Any additional equity grants and any exercise of existing warrants will cause our shareholders to be diluted and may negatively affect the price of the Flora Shares.

We continue to incur increased costs as a result of operating as a public company and our management is required to devote substantial time to new compliance initiatives.

As a public company, particularly after we are no longer an Emerging Growth Company, we will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and rules implemented by the SEC and Nasdaq, impose various requirements on public companies, including requirements to file annual, quarterly and event-driven reports with respect to our business and financial condition and operations and establish and maintain effective disclosure and financial controls and corporate governance practices. Our existing management team will continue to devote a substantial amount of time to these compliance initiatives, and we may need to hire additional personnel to assist us with complying with these requirements. Moreover, these rules and regulations will continue to increase our legal and financial compliance costs and will make some activities more time consuming and costly.

Pursuant to Section 404 of the Sarbanes-Oxley Act, or Section 404, we will be required to furnish a report by our management on our ICFR, which, after we are no longer an Emerging Growth Company, must be accompanied by an attestation report on ICFR issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will document and evaluate our ICFR, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of our ICFR, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for ICFR. As an example, the re-audit of our financial statements for the period March 13, 2019 (inception) to December 31, 2019, under PCAOB auditing standards,

identified changes in expenditures that were not appropriately recorded and founders' warrants that were revalued. Our management believes that such weakness in our recording has since been remedied; however, despite our efforts, there is a risk that neither we nor our independent registered public accounting firm will be able to conclude within the prescribed time frame that our ICFR is effective as required by Section 404. This could result in a determination that there are one or more material weaknesses in our ICFR, which could cause an adverse reaction in the financial markets due to a loss of confidence in the reliability of our consolidated financial statements.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some public company required activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We continue to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and divert management's time and attention from revenue generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

If we fail to meet applicable listing requirements, Nasdaq may delist the Flora Shares from trading, in which case the liquidity and market price of the Flora Shares could decline.

We cannot assure you that we will be able to meet the continued listing standards of Nasdaq in the future. If we fail to comply with the applicable listing standards and Nasdaq delists the Flora Shares, we and our shareholders could face significant material adverse consequences, including:

- a limited availability of market quotations for the Flora Shares;
- reduced liquidity for the Flora Shares;
- a determination that the Flora Shares are "penny stock", which would require brokers trading in the Flora Shares to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for the Flora Shares;
- a limited amount of news about us and analyst coverage of us; and
- a decreased ability for us to issue additional equity securities or obtain additional equity or debt financing in the future.

In particular, on July 8, 2022, Flora received a deficiency letter from Nasdaq advising that, based on Flora's closing bid price for the 30 consecutive business days prior to July 8, 2022, Flora does not comply with the minimum bid price requirement of US$1.00 per share, as set forth in Nasdaq Listing Rule 5550(a)(2).

In accordance with Nasdaq Listing Rule 5810(c)(3)(A), Flora has a grace period of 180 calendar days, until January 4, 2023, to regain compliance with the minimum closing price requirement for continued listing. If at any time during the 180-day notice period, the minimum closing bid price per Flora Share closes at or above US$1.00 for a period of ten consecutive business days, Flora will regain compliance and the matter will be closed. In the event Flora does not regain compliance within the 180-day grace period, Flora may be eligible to receive an additional 180-day grace period, provided that it meets the continued listing requirement for market value of publicly held shares and all other applicable standards for initial listing on the Nasdaq, except for the bid price requirement, and provides written notice of its intention to cure the minimum bid price deficiency during the second 180-day grace period. If Flora meets these requirements, Nasdaq will inform Flora that it has been granted an additional 180 calendar days. However, if it appears to the Nasdaq staff that Flora will not be able to cure the deficiency, or if Flora is otherwise not eligible, the Nasdaq staff will provide notice that Flora's securities will be subject to delisting.

Future sales, or the perception of future sales, by us or our existing shareholders in the public market could cause the market price for the Flora Shares to decline.

The sale of substantial amounts of the Flora Shares in the public market, or the perception that such sales could occur, could harm the prevailing market price of the Flora Shares. These sales, or the possibility that these sales may occur,

also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

In connection with the Arrangement, all Flora Shares to be delivered to the former FGH Shareholders shall be restricted from being sold for a period of 90 days following the completion of the Arrangement.

As restrictions on resale end, the market price of the Flora Shares could drop significantly if the holders of these restricted shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of the Flora Shares or other securities.

Ownership of Flora Shares may be considered unlawful in some jurisdictions and holders of Flora Shares may consequently be subject to liability in such jurisdictions.

Cannabis-related financial transactions, including investment in the securities of cannabis companies and receipt of any associated benefits, such as dividends, are currently subject to anti-money laundering and a variety of other laws that vary by jurisdiction, many of which are unsettled and still developing. While the interpretation of these laws is unclear, in some jurisdictions, financial benefit directly or indirectly arising from conduct that would be considered unlawful in such jurisdiction may be viewed to be within the purview of these laws, and persons receiving any such benefit, including investors in an applicable jurisdiction, may be subject to liability under such laws. Each prospective investor should therefore contact his, her or its own legal advisor regarding the ownership of Flora Shares and any related potential liability.

Our executive officers and directors and their respective affiliates may continue to exercise significant control over Flora, which will limit your ability to influence corporate matters and could delay or prevent a change in corporate control.

Our executive officers and directors currently represent beneficial ownership, in the aggregate, of approximately 7% of outstanding Flora Shares. As a result, these shareholders may be able to influence our management and affairs and control the outcome of matters submitted to our shareholders for approval, including the election of directors and any sale, merger, consolidation, or sale of all or substantially all of our assets. These shareholders may have interests, with respect to their Flora Shares, that are different from you, and the concentration of voting power among one or more of these shareholders may have an adverse effect on the price of the Flora Shares. In addition, this concentration of ownership might adversely affect the market price of the Flora Shares by:

- delaying, deferring or preventing a change of control of Flora;
- impeding a merger, consolidation, takeover or other business combination involving Flora; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of Flora.

Flora's directors and officers may have a conflict of interest in conducting their duties.

We may be subject to various potential conflicts of interest because of the fact that some of our officers and directors may be engaged in a range of business activities. In addition, our executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to Flora. In some cases, our executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to our business and affairs and that could adversely affect our operations. These business interests could require significant time and attention of our executive officers and directors.

We are a foreign private issuer and intend to take advantage of less frequent and detailed reporting obligations.

We are a "foreign private issuer", as such term is defined in Rule 405 under the U.S. Securities Act, and are not subject to the same requirements that are imposed upon U.S. domestic issuers by the SEC. Under the U.S. Exchange Act, we will be subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. As a result, we will not file the same reports that a U.S. domestic issuer would file with the SEC, although we will be required to file or furnish to the SEC the continuous disclosure documents that we are required to file in Canada under Canadian securities laws. In addition, our officers, directors, and principal

shareholders are exempt from the reporting and "short swing" profit recovery provisions of Section 16 of the U.S. Exchange Act. Therefore, our shareholders may not know on as timely a basis when our officers, directors and principal shareholders purchase or sell shares, as the reporting deadlines under the corresponding Canadian insider reporting requirements are longer.

As a foreign private issuer, we will be exempt from the rules and regulations under the U.S. Exchange Act related to the furnishing and content of proxy statements. We will also be exempt from Regulation FD, which prohibits issuers from making selective disclosures of material non-public information. While we will comply with the corresponding requirements relating to proxy statements and disclosure of material non-public information under Canadian securities laws, these requirements differ from those under the U.S. Exchange Act and Regulation FD and shareholders should not expect to receive the same information at the same time as such information is provided by U.S. domestic companies. In addition, we will have more time than U.S. domestic companies after the end of each fiscal year to file our annual report with the SEC and will not be required under the U.S. Exchange Act to file quarterly reports with the SEC.

In addition, as a foreign private issuer, we have the option to follow certain Canadian corporate governance practices, except to the extent that such laws would be contrary to U.S. securities laws, and provided that we disclose the requirements we are not following and describe the Canadian practices we follow instead. We may in the future elect to follow home country practices in Canada with regard to certain corporate governance matters.

As a result, our shareholders may not have the same protections afforded to shareholders of U.S. domestic companies that are subject to all corporate governance requirements.

Commencing January 1, 2023 we will no longer maintain our status as a foreign private issuer in the United States, which will likely result in increased costs related to regulatory compliance under United States securities laws.

Flora ceased to qualify as a "foreign private issuer," as defined in Rule 405 under the U.S. Securities Act and Rule 3b-4 under the U.S. Exchange Act, since, as of June 30, 2022, more than 50% of the outstanding Flora Shares were directly or indirectly owned by residents of the United States and each of the following three circumstances applied: (i) the majority of our executive officers or directors are U.S. citizens or residents; (ii) more than 50% of our assets are located in the United States; or (iii) our business is administered principally in the United States. As a result, Flora will cease to be eligible to avail itself of the forms and rules designated for foreign private issuers beginning on January 1, 2023. Among other things, this will result in loss of the exemption from registration under the U.S. Exchange Act provided by Rule 12g3-2(b) thereunder, and, if Flora is required to register the Flora Shares under section 12(g) of the U.S. Exchange Act, we will have to do so as a domestic issuer. Further, any securities that we issue in unregistered or unqualified offerings both within and outside the United States will be "restricted securities" (as defined in Rule 144(a)(3) under the U.S. Securities Act) and will continue to be subject to United States resale restrictions notwithstanding their resale in "offshore transactions" pursuant to Regulation S under the U.S. Securities Act. As a practical matter, this will likely require us to register more offerings of our securities under the U.S. Securities Act on either a primary offering or resale basis, even if they take place entirely outside the United States. The resulting legal and administrative costs of complying with the resulting regulatory requirements are anticipated to be substantial, and to subject Flora to additional exposure to liability for which we may not be able to obtain insurance coverage on favorable terms or at all.

The regulated nature of our business may impede or discourage a takeover, which could reduce the market price of the Flora Shares.

We require and hold various government licenses to operate our business. These licensing requirements could impede a merger, amalgamation, takeover or other business combination involving us or discourage a potential acquirer from making a tender offer for Flora Shares, which, under certain circumstances, could reduce the market price of the Flora Shares.

We do not intend to pay dividends on the Flora Shares in the near future, and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of the Flora Shares.

We have never declared or paid any cash dividend on the Flora Shares and do not currently intend to do so in the foreseeable future. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends in the foreseeable future. Therefore, the success of an investment in Flora Shares will depend upon any future appreciation in their value. There is no guarantee that the Flora Shares will appreciate in value or even maintain the price at which you purchased them.

Future issuances of debt securities, which would rank senior to the Flora Shares upon our bankruptcy or liquidation, and future issuances of preferred stock, which could rank senior to the Flora Shares for the purposes of dividends and liquidating distributions, may adversely affect the level of return you may be able to achieve from an investment in the Flora Shares.

In the future, we may attempt to increase our capital resources by offering debt securities. Upon bankruptcy or liquidation, holders of our debt securities, and lenders with respect to other borrowings we may make, would receive distributions of our available assets prior to any distributions being made to holders of Flora Shares. Moreover, if we issue preferred stock, the holders of such preferred stock could be entitled to preferences over holders of Flora Shares in respect of the payment of dividends and the payment of liquidating distributions. Because our decision to issue debt or preferred stock in any future offering, or borrow money from lenders, will depend in part on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of any such future offerings or borrowings. Holders of Flora Shares must bear the risk that any future offerings we conduct or borrowings we make may adversely affect the level of return, if any, they may be able to achieve from an investment in the Flora Shares.

General Risk Factors

Flora may become involved in legal proceedings from time to time, which could adversely affect Flora.

From time to time, we may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. We will evaluate our exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. For example, we are subject to a legal proceeding in Canada brought by a plaintiff claiming that he is owed 3,000,000 Flora Shares for services allegedly rendered to Flora in 2019. Flora denies that any such shares are owed to the plaintiff and will vigorously defend the lawsuit. Please see "*Legal Proceedings and Regulatory Actions – Legal Proceedings*" of this Appendix "F" for more information. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on our financial results.

Our participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by third parties, other companies and/or various governmental authorities against us. Litigation, complaints, and enforcement actions involving us could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on our future cash flows, earnings, results of operations and financial condition.

Flora's success will depend, in part, on its ability to continue to enhance its product and service offerings to respond to technological and regulatory changes and emerging industry standards and practices.

Rapidly changing markets, technology, emerging industry and regulatory standards and frequent introduction of new products characterize Flora's business. The introduction of new products embodying new technologies and regulatory developments may render Flora's equipment obsolete and its products and services less competitive or less marketable. The process of developing Flora's products and services is complex and requires significant continuing costs, development efforts, third-party commitments and regulatory approvals. Flora may not be successful in developing or effectively commercializing such new products and services, or obtaining any required regulatory approvals, which,

together with any capital expenditures made in the course of developing such products and services, may have a material adverse effect on Flora's business, financial condition and operating results.

We are dependent upon our management and key employees, and the loss of any member of our management team or key employees could have a material adverse effect on our operations.

Flora's success is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key employees. The loss of any member of our management team or key employees could have a material adverse effect on our business and results of operations. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on Flora's business, operating results or financial condition. We do not currently maintain key-person insurance on the lives of any of our key employees. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense, and no assurance can be provided that Flora will be able to attract or retain key employees in the future, which may adversely affect Flora's operations.

Our inability to retain and acquire skilled personnel could impair our business and operations.

The loss of any member of our management team could have a material adverse effect on our business and results of operations. In addition, the inability to hire or the increased costs of hiring new personnel, including members of executive management, could have a material adverse effect on our business and operating results. The expansion of marketing and sales of our products will require us to find, hire and retain additional capable employees who can understand, explain, market and sell our products. There is intense competition for capable personnel in all of these areas and we may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take a significant amount of time before they achieve full productivity. As a result, we may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses issued in connection to equity awards, and we may lose new employees to our competitors or other companies before we realize the benefit of our investment in recruiting and training them. In addition, as we move into new jurisdictions, we will need to attract and recruit skilled employees in those new areas.

We will need to grow the size of our organization, and we may experience difficulties in managing any growth we may achieve.

As our development and commercialization plans and strategies develop, we expect to need additional research, development, managerial, operational, sales, marketing, financial, accounting, legal and other resources. Future growth would impose significant added responsibilities on members of management. In order to manage growth and changes in strategy effectively, Flora must: (a) maintain adequate systems to meet customer demand; (b) expand sales and marketing, distribution capabilities, and administrative functions; (c) expand the skills and capabilities of its current management team; and (d) attract and retain qualified employees. Our management may not be able to accommodate those added responsibilities, and our failure to do so could prevent us from effectively managing future growth and successfully growing Flora.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about us, our share price and trading volume could decline.

The trading market for the Flora Shares will depend, in part, on the research and reports that securities or industry analysts publish about us or our operations. We do not have any control over these analysts and their research and reports. If one or more of the analysts who cover us downgrade our shares or publish inaccurate or unfavorable research about our business, our share price would likely decline. In addition, if our operating results fail to meet the forecast of analysts, our share price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our shares could decrease, which might cause our share price and trading volume to decline.

We expect to incur significant ongoing costs and obligations related to our investment in infrastructure, growth, regulatory compliance and operations.

We expect to incur significant ongoing costs and obligations related to our investment in infrastructure and growth and regulatory compliance, which could have a material adverse effect on our results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on our business, results of operations and financial condition. Our efforts to grow our business may be costlier than we expect, and we may not be able to generate sufficient revenue to offset such higher operating expenses. We may incur significant losses in the future for a number of reasons, including unforeseen expenses, difficulties, complications and delays, and other unknown events.

There is no assurance that Flora's insurance coverage will be sufficient to cover all claims to which Flora may become subject.

Our production is, in general, subject to different risks and hazards, including adverse weather conditions, fires, plant diseases and pest infestations, other natural phenomena, industrial accidents, labor disputes, changes in the legal and regulatory framework applicable to us and environmental contingencies.

We are in the process of obtaining insurance coverage over our production and facilities. We may not be able to maintain or obtain insurance of the type and amount desired at a reasonable cost. If we were to incur significant liability for which we were not fully insured, it could have an adverse effect on our business, financial condition and results of operations.

We do not currently maintain key-person insurance on the lives of any of our key employees.

We may be unable to implement our business strategy, which could have negative financial and reputational effects on our business.

The growth and expansion of our business is heavily dependent upon the successful implementation of our business strategy. There can be no assurance that we will be successful in the implementation of our business strategy. A failure to do so could have negative financial and reputational effects on us. Future clinical research studies may lead to conclusions that dispute or conflict with our understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis.

Flora could be subject to a security breach that could result in significant damage or theft of products and equipment.

Breaches of security at our facilities may occur and could result in damage to or theft of products and equipment. A security breach at our facilities could result in a significant loss of inventory or work in process, expose us to liability under applicable regulations and increase expenses relating to the investigation of the breach and implementation of additional preventative security measures, any of which could have an adverse effect on our business, financial condition and results of operations.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

Since the beginning of Flora' most recently completed financial year, except as disclosed herein, there have been and are no legal proceedings outstanding, threatened or pending, by or against Flora or to which Flora is a party or to which any of Flora's property is subject, nor to Flora's knowledge are any such legal proceedings contemplated, which could become material to Flora.

On April 5, 2022 (the "**Boustead Effective Date**"), Flora entered into a settlement agreement (the "**Settlement Agreement**") with Boustead to resolve certain disputes arising under our underwriting agreement dated May 10, 2021, and our engagement letter dated September 8, 2020, as amended, each entered into between us and Boustead (collectively, the "**Boustead Agreements**"). Pursuant to the terms of the Settlement Agreement, Flora: (i) paid

Boustead US$400,000 in cash; (ii) issued and delivered 700,000 Flora Shares to Boustead; (iii) agreed to pay a transaction fee of 1.5% of the aggregate consideration delivered or received by Flora in any future merger or acquisition transaction involving Flora, provided that such definitive agreement with respect to the transaction is executed prior to May 11, 2022; and (iv) agreed to provide Boustead the right to participate as a co-manager in any future equity financings by Flora that are closed on or before May 11, 2022. Upon Flora's payment of the consideration in clauses (i) and (ii) above on April 6, 2022; (x) the Boustead Agreements, and all operative provisions therein, were terminated as of the Boustead Effective Date other than certain provisions relating to indemnification and existing lock-up agreements; and (y) Boustead and all of its affiliates released, waived and discharged Flora from any and all actions that Boustead has or may have against Flora up to and including the Boustead Effective Date for any damages arising out of or relating to: (i) the Boustead Agreements; (ii) certain securities previously issued to Boustead; and (iii) all other transactions, agreements, contracts, understandings, promises and representations between Boustead and Flora, except those provisions that were expressly intended as stated therein to survive.

On June 21, 2022, an action was brought against Flora in the Ontario Superior Court of Justice by Gerardo Andres Garcia Mendez claiming that Flora is obligated to issue 3,000,000 (pre one-for-three reverse stock split) Flora Shares to him for a purchase price of US$0.05 per Flora Share. The Plaintiff claims he is entitled to such Flora Shares as a result of alleged consulting services he performed in 2019. Flora disputes his claims and intends to vigorously defend against this action.

William Braley vs. Just Brands USA, Inc., Just Brands FL, LLC, and SSGI Financial Services, Inc., Case No. 21-cv-06812, Northern District of Illinois. This matter involves allegations that the Defendants falsely and deceptively marketed cannabidiol infused gummies as not containing Tetrahydrocannabinol ("THC"). Plaintiff asserts he has suffered damages because after ingesting the gummies he failed an employment related drug test. JustCBD disputes these claims.

In October, a full and complete settlement was reached in the matter of: Erin Gilbert et al. vs. Just CBD LLC, et al., Case No. 062019CA020275AXXXCE. The terms of the settlement are confidential, but Flora is not required to contribute financially or otherwise, to the settlement.

Regulatory Actions

Within the three year immediately preceding the date of the Circular, there have been no: (i) penalties or sanctions imposed against Flora by a court relating to provincial and territorial securities legislation or by a securities regulatory authority; (ii) other penalties or sanctions imposed by a court or regulatory body against Flora necessary for the Circular to contain full, true and plain disclosure of all material facts relating to the securities being distributed; and (iii) settlement agreements Flora entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Interests of Management and Others in Material Transactions

Within the three most recently completed financial years or during the current financial year, no director or executive officer of Flora, or shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Flora Shares, or any known associates or affiliates of such persons, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction that has materially affected or is reasonably expected to materially affect Flora.

Underwriting Discounts

There are no material underwriting discounts or commissions upon the sale of securities by Flora if: (a) a director or executive officer of Flora; (b) a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Flora Shares; or (c) an associate of affiliate of any of the persons or companies referred to in (a) or (b), above, were or are to be an underwriter or are associates, affiliates or partners of a person or company that was or is to be an underwriter.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

Auditor
The auditor of Flora is Davidson, located at Suite 1200-609 Granville Street, Vancouver, BC V7Y 1G6 Canada. Davidson has advised that they are independent of Flora in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB on auditor independence. Davidson audited the financial statements of Flora for the year ended December 31, 2021 and issued an auditor's report dated May 9, 2022.

Transfer Agent
The transfer agent and registrar for Flora Shares is Continental Stock Transfer & Trust Company, which is located at 1 State Street, 30th Floor, New York, New York 10004, where transfers of securities of Flora may be recorded.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS OR COMPANIES

Luis Merchan, Elshad Garayev, James Choe, Matthew Cohen, John Timothy Leslie, Jessie Casner, Dr. Annabelle Manalo-Morgan, Marc Mastronardi and Brandon Konigsberg, each a director and/or executive officer of Flora, resides outside of Canada. Each of the above has appointed Flora Growth Corp. at 365 Bay Street, Suite 800, Toronto, Ontario M5H 2V1 as their agent for service of process in Ontario. Potential investors of Flora are advised that it may not be possible for investors to enforce judgments obtained in Canada against a person that resides outside of Canada, even if the party has appointed an agent for service of process.

MATERIAL CONTRACTS

Other than the contracts entered into in the ordinary course of business and as disclosed below, there are no material contracts entered into by Flora since the beginning of the most recently completed fiscal year, or that are still in effect prior to the date of this Appendix "F".

- Arrangement Agreement – See "*Arrangement Agreement*" in the body of the Circular;
- VBI Merger Agreement – See "*General Development of Flora's Business – Material Contracts"* of this Appendix "F".
- JustBrands Agreement – See "*General Development of Flora's Business – Material Contracts*" of this Appendix "F".
- Farm Lease – See "*General Development of Flora's Business – Flora Growth Core Business*" of this "Appendix "F";
- VBI Lease Agreement – See "*General Development of Flora's Business – Flora Growth Core Business*" of this Appendix "F"; and
- Settlement Agreement – See "*Legal Proceedings and Regulatory Actions – Legal Proceedings*" of this Appendix "F".

EXPERTS

Name of Experts
Davidson prepared the independent auditor's report for the audited annual consolidated financial statements of Flora for the years ended December 31, 2021 and December 31, 2020 and the period from incorporation on March 13, 2019 through December 31, 2019. Davidson has advised that they are independent of Flora in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB on auditor independence.

Interest of Experts
To the knowledge of Flora, after reasonable inquiry, as of the date hereof, the aforementioned individuals and, as applicable, their firm(s), associates or affiliates, do not beneficially own, directly or indirectly, any securities of Flora as of the date hereof.

OTHER MATERIAL FACTS

Other than as disclosed herein, there are no material facts relating to Flora that are necessary to be disclosed in order for this Appendix "F", together with Appendix "J" and Schedule "A" attached hereto and "*Flora Growth Upon Completion of the Arrangement*" in the body of the Circular, to contain full, true and plain disclosure of all material facts relating to the Flora Shares.

FINANCIAL STATEMENTS

Flora's financial statements that are included in the Circular have been prepared in accordance with IFRS as issued by the IASB and are presented in U.S dollars.

Included in Appendix "J" to the Circular are the following:

- the Flora 2022 Interim Financial Report for the six months ended June 30, 2022 and 2021, containing the condensed consolidated interim financial statement for the six months ended June 30, 2022 and 2021;
- the Flora 2021 Annual Financial Report for the year ended December 31, 2021, containing the audited financial statements for the financial year ended December 31, 2021; and
- the Flora 2020 Annual Financial Report for the year ended December 31, 2020 and the period from incorporation on March 13, 2019 to December 31, 2019, containing the audited financial statements for the financial year ended December 31, 2020 and the period from incorporation on March 13, 2019 to December 31, 2019.

ADDITIONAL INFORMATION

Additional information relating to Flora may be found on Flora's EDGAR profile at www.sec.gov and on Flora's website at www.floragrowth.com. Information contained in or otherwise accessible through Flora's website does not constitute part of, and is not incorporated by reference into, this Appendix "F" or the Circular.

Schedule "A" to Appendix "F" - Audit Committee Charter

(Please see attached)

FLORA GROWTH CORP.

AUDIT COMMITTEE CHARTER

1. Purpose

1.1 The purpose of the Audit Committee (the "Audit Committee") of the Board of Directors (the "Board") of Flora Growth Corp. (the "Company") is to oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company.

1.2 The Audit Committee's responsibilities are limited to oversight. The Company's management is responsible for establishing and maintaining accounting policies and procedures in accordance with generally accepted accounting principles in Canada for publicly accountable enterprises, as set out in the International Financial Reporting Standards and other applicable reporting and disclosure standards, and for preparing the Company's financial statements. The Company's independent auditors are responsible for auditing and reviewing those financial statements. The Audit Committee is responsible for the approval of the financial statements for issuance. Each member of the Audit Committee is entitled to rely on the integrity of those persons within the Company and from the professionals and experts from which the Audit Committee receives information and, absent actual knowledge to the contrary, the accuracy of the financial and other information provided to the Audit Committee by such persons, professionals, or experts.

2. Composition

2.1 The Audit Committee must consist of at least three (3) directors. Each Audit Committee member must be an Independent Director, as defined under Rule 5605(a)(2) of the Nasdaq Listing Rules, and must satisfy the more rigorous independence rules for members of the Audit Committee issued by the Securities and Exchange Commission (the "SEC") in Rule 10A-3(b)(1) promulgated under the Exchange Act, subject to any available exception. Each Audit Committee member must be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, cash flow statement and the related footnote disclosures. In addition, each Audit Committee member must not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years. At least one member of the Audit Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. In addition, either at least one member of the Audit Committee must be a financial expert, as defined under SEC rules, or the Company must disclose in its annual report the reasons for not having such an expert on the Audit Committee.

2.2 Audit Committee members may be removed from the Audit Committee, with or without cause, by the Board. Unless a Chairperson is designated by the Board, the Audit Committee may designate a Chairperson by majority vote of the full Audit Committee membership.

3. Meetings, Procedures and Authority

3.1 The Audit Committee has the authority to establish its own rules and procedures for notice and conduct of its meetings, so long as they are not inconsistent with any provisions of the Company's bylaws that are applicable to the Audit Committee.

3.2 The Audit Committee may, in accordance with Nasdaq Listing Rule 5605(c)(3) and Exchange Act Rule 10A-3(b) retain any independent counsel, experts or advisors that the Audit Committee believes to be necessary or appropriate in carrying out its duties. The Company must provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor or any other registered public accounting firm engaged by the Audit Committee for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, for payment of compensation to any advisors engaged by the Audit Committee, and for payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

3.3 The Audit Committee may conduct or authorize investigations into any matters within the scope of the duties and responsibilities delegated to the Audit Committee.

4. Duties and Responsibilities

Interaction with the Independent Auditor

4.1 *Appointment and Oversight*. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor (including resolution of any disagreements between the Company's management and the independent auditor regarding financial reporting) and any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company, and the independent auditor and each such other registered public accounting firm must report directly to the Audit Committee. The Audit Committee, or the Chairperson of the Audit Committee, must pre-approve any audit and non-audit service provided to the Company by the independent auditor, unless the engagement is entered into pursuant to appropriate preapproval policies established by the Audit Committee or if such service falls within available exceptions under SEC rules.

4.2 *Annual Report on Independence*. The Audit Committee must ensure that the independent auditor prepares and delivers, at least annually, a formal written statement delineating all relationships between the independent auditor and the Company, must actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that, in the view of the Audit Committee, may impact the objectivity and independence of the independent auditor, and, if the Audit Committee determines that further inquiry is advisable, must take appropriate action, or recommend that the Board take appropriate action, in response to the independent auditor's report to satisfy itself of the outside auditor's independence.

Other Duties and Responsibilities

4.3 *Complaint Procedures*. The Audit Committee must establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential and anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.

4.4 *Review of Code of Ethics*. The Audit Committee must, at least annually, consider and discuss with management and the independent auditor the Company's Code of Ethics and the procedures in place to enforce the Code of Ethics. The Audit Committee must also consider and discuss and, as appropriate, grant requested waivers from the Code of Business Conduct and Ethics brought to the attention of the Audit Committee, though the Audit Committee may defer any decision with respect to any waiver to the Board.

4.5 *Review of Related Person Transactions*. The Audit Committee must review all related person transactions, as defined by Item 404 of Regulation S-K, on an ongoing basis, and all such transactions must be approved by the Audit Committee.

4.6 *Review of this Charter*. The Audit Committee must annually review and reassess the adequacy of this Charter and submit any recommended changes to the Board for its consideration.

4.7 *Reporting to the Board*. The Audit Committee is responsible for reporting to the Board of Directors on matters required by this Charter or requested by the Board.

4.8 *Communication with Legal Counsel*. The Audit Committee will discuss with the Company's legal department or outside legal counsel any matters that may have a material impact on the financial statements or the Company's compliance policies and internal controls, including corporate securities trading policies.

4.9 *Proxy Report.* The Audit Committee will prepare the report required by the SEC rules to be included in the Company's annual proxy statement, if applicable.

5. Delegation of Duties

5.1 In fulfilling its responsibilities, the Audit Committee is entitled to delegate any or all of its responsibilities to a subcommittee of the Audit Committee.

APPENDIX "G" – UNAUDITED *PRO FORMA* CONSOLIDATED FINANCIAL INFORMATION

(Please see attached)

				Adjustments	*As at June 30, 2022*
Assets	**Flora Growth Corp.**	**Franchise Global Health Inc.**	**Note**	**Acquisition of Franchise Global Health Inc.**	**Consolidated**
Cash and cash equivalents	10,268	1,891	2f	(1,137)	10,828
			2i	(194)	
Restricted cash	1	-		-	1
Trade and amounts receivables	5,092	2,420		-	7,512
Due from former shareholder	-	655		-	655
Loans receivable and advances	262	-		-	262
Due from related party	-	26		-	26
Prepaid expenses and deposits	2,224	1,418		-	3,642
Biological assets	14	-		-	14
Inventory	9,295	9,726		-	19,021
Marketable securities	-	32		-	32
Total current assets	**27,156**	**16,168**		**(1,331)**	**41,993**
Acquisition deposits	-	413		-	413
Plant, plant and equipment	4,565	586		-	5,151
Right of use assets	3,639	275		-	3,914
Intangible assets	13,432	10,167		-	23,599
Goodwill	28,666	5,027	2a (vi)	4,361	38,054
Investments	1,337	-		-	1,337
Other assets	273	-		-	273
Total assets	**79,068**	**32,636**		**3,030**	**114,734**
Liabilities					
Trade payables and accrued liabilities	7,401	7,176	2c	1,000	14,602
			2d	162	
			2f	(1,137)	
Income taxes payable	-	73		-	73
Current portion of long-term debt	10	1,568		-	1,578
Current portion of lease-liability	1,120	169		-	1,289
Other accrued liabilities	20	-		-	20
Total current liabilities	8,551	8,986		25	17,562
Non-current debt	138	-		-	138
Non-current lease liability	2,441	139		-	2,580
Deferred tax	1,511	2,815		-	4,326
Other long term liabilities	3,958	-		-	3,958
Total Liabilities	**16,599**	**11,940**		**25**	**28,564**
Shareholders' equity					
Share capital	119,300	101,914	2a	25,023	144,323
			2a (vii), 2b, 2e	(102,709)	
			2b	795	
Reserves	-	7,691	2a (vii), 2e	(7,691)	-
Options	6,611	-	2a(ii)	34	6,645
Warrants	10,047	-		-	10,047
AOCI	(1,675)	(151)	2a (vii)	151	(1,675)
Deficit	(71,512)	(88,758)	2a (vii), 2b	89,553	(72,868)
			2b	(795)	
			2c	(1,000)	
			2d	(162)	
			2i	(194)	
Non-controlling interest	(302)	-		-	(302)
Total shareholders' equity	**62,469**	**20,696**		**3,005**	**86,170**
Total liabilities & shareholders' equity	**79,068**	**32,636**		**3,030**	**114,734**

The accompanying notes are an integral part of these pro-forma consolidated financial statements.

For the six months ended June 30, 2022

			Adjustments		
	Flora Growth Corp.	**Franchise Global Health Inc.**	**Note**	**Acquisition of Franchise Global Health Inc.**	**Consolidated**
Revenue	14,917	23,671		-	38,588
Cost of goods sold	8,415	22,005		-	30,420
Gross Profit before fair value adjustments	6,502	1,666		-	8,168
Unrealized gain on changes in fair value of biological assets	46	-		-	46
Realized fair value amounts included in inventory sold	(2)	-		-	(2)
Gross profit	**6,546**	**1,666**		**-**	**8,212**
Expenses:					
Consulting and management fees	5,243	273		-	5,516
Professional fees	2,096	677		-	2,773
Selling, general and administrative	2,429	2,643		-	5,072
Promotion and communication	4,719	-		-	4,719
Travel expenses	601	-		-	601
Share-based compensation	2,855	661		-	3,516
Research and development	422	-		-	422
Depreciation and amortization	1,712	131		-	1,843
Bad debt expense	405	-		-	405
Goodwill impairment	16,000	-		-	16,000
Other expenses (income) net	1,178	-		-	1,178
Foreign exchange loss	-	94		-	94
	37,660	**4,479**		**-**	**42,139**
Other items					
Listing expense	-	12,264		-	12,264
Interest expense	69	53		-	122
Foreign exchange loss (gain)	200	-		-	200
Unrealized loss on fair value of investments	1,333	-		-	1,333
Asset impairment	-	203		-	203
Other incomes and expenses	-	(1,234)		-	(1,234)
(Loss) income before income taxes	**(32,716)**	**(14,099)**		**-**	**(46,815)**
Income tax expense	-	(132)		-	(132)
Net loss	**(32,716)**	**(14,231)**		**-**	**(46,947)**
Net loss attributable to Flora Growth Corp.	(32,611)	(14,231)			(46,842)
Net loss attributable to non-controlling interests	(105)	-			(105)
Basic and diluted loss per share attributable to Flora Growth Corp.	(0.42)	(0.11)			(0.39)
Exchange differences on foreign operations	(567)	(205)		-	(772)
Comprehensive loss	**(33,283)**	**(14,436)**		**-**	**(47,719)**
Comprehensive loss attributable to Flora Growth Corp.	(33,178)	(14,436)			(46,614)
Comprehensive loss attributable to non-controlling interests	(105)	-			(105)
Weighted average number of shares – basic and dilutive	76,944,000			43,525,951	120,469,951

The accompanying notes are an integral part of these pro-forma consolidated financial statements.

For the year ended December 31, 2021

			Adjustments		
	Flora Growth Corp.	**Franchise Cannabis Corp.**	**Note**	**Acquisition of Franchise Global Health Inc.**	**Consolidated**
Revenue	8,980	904		-	9,884
Cost of goods sold	6,627	725		-	7,352
Gross Profit before fair value adjustments	**2,353**	**179**		**-**	**2,532**
Unrealized gain on changes in fair value of biological assets	72	-		-	72
Gross profit	**2,425**	**179**			**2,604**
Expenses:					
Consulting and management fees	7,324	667		-	7,991
Professional fees	4,269	2,788	2b, 2c	1,795	8,852
Selling, general and administrative	4,507	1,828	2d	162	6,691
			2i	194	
Travel expenses	603	-		-	603
Share-based compensation	1,340	134		-	1,474
Research and development	132	-		-	132
Depreciation and amortization	765	174		-	939
Bad debt expense	1,335	-		-	1,335
Goodwill impairment	51	-		-	51
Other expenses (income) net	1,050	-		-	1,050
Foreign exchange loss	-	275		-	275
	21,376	**5,866**		**2,151**	**29,393**
Other items					
Premium paid on acquisition	-	4,168		-	4,168
Interest expense	84	19		-	103
Foreign exchange loss (gain)	79	-		-	79
Unrealized loss on fair value of investments	2,345	-		-	2,345
Asset impairment	-	3,352		-	3,352
Other incomes and expenses	-	672		-	672
(Loss) income before income taxes	**(21,459)**	**(13,898)**		**(2,151)**	**(37,508)**
Income tax benefit (expense)	98	-		-	98
Net loss	**(21,361)**	**(13,898)**		**(2,151)**	**(37,410)**
Net loss attributable to Flora Growth Corp.	(21,249)	(13,898)			(37,298)
Net loss attributable to non-controlling interests	(112)	-			(112)
Basic and diluted loss per share attributable to Flora Growth Corp.	(0.48)	(0.12)			(0.43)
Exchange differences on foreign operations	(1,147)	35		-	(1,112)
Comprehensive loss	**(22,508)**	**(13,863)**		**(2,151)**	**(38,522)**
Comprehensive loss attributable to Flora Growth Corp.	(22,396)	(13,863)			(38,410)
Comprehensive loss attributable to non-controlling interests	(112)	-			(112)
Weighted average number of shares – basic and dilutive	43,954,000			43,525,951	87,479,951

The accompanying notes are an integral part of these pro-forma consolidated financial statements.

1. Basis of Presentation

These unaudited pro forma condensed combined financial statements (the "Pro Forma Financial Statements") are prepared to illustrate the impact of the plan of arrangement between Flora Growth Corp. ("Flora" or the "Company") and Franchise Global Health Inc. ("Franchise") (the "Arrangement").

The Company is listed on the NASDAQ and is a manufacturer of global cannabis products and brands, building a connected design-led collective of plant-based wellness and lifestyle brands. Franchise is listed on the TSX Venture Exchange (the "TSXV") and is a medical cannabis company focused on building European-focused medical cannabis operations with an understanding of the plant and heritage of European pharmaceutical distribution, while providing effective solutions to the growing health needs of the European Union.

The Transaction is to represent an acquisition of Franchise by Flora through a plan of arrangement. All Franchise shares outstanding immediately prior to the Arrangement are to be exchanged for shares in Flora based on an initial exchange ratio of 0.3234598886 Franchise common shares for each Company common share ("Initial Exchange Ratio"), provided that if the Franchise or the Company issues any common shares prior to the closing of the Arrangement, the initial exchange ratio shall be adjusted accordingly, except that:

(a) If the 20-day Volume Weighted Average Price ("VWAP") of the Company immediately before closing is greater than $1.25 but less than $1.50, then the exchange ratio will be calculated as (i) the initial price based on the Initial Exchange Ratio divided by (ii) the VWAP.

(b) If the VWAP is greater than or equal to $1.50, then the exchange ratio will be calculated as (i) the initial price based on the Initial Exchange Ratio divided by (ii) $1.50; provided, however, that the aggregate consideration payable for all Company common shares will in no event be more than 43,525,951 nor be less than 36,515,060.

The Pro Forma Financial Statements are those of Flora and have been prepared for inclusion in the Information Circular of Franchise for the upcoming special meeting of the shareholders of Franchise.

These Pro Forma Financial Statements are based on Flora's historical consolidated financial statements and Franchise's historical consolidated financial statements as adjusted to give effect to the acquisition of Franchise expected to close in December 2022.

These Pro Forma Financial Statements do not necessarily reflect what the combined company's financial condition or results of operations would have been had the acquisition occurred on the dates indicated. They also may not be useful in predicting the future financial condition and results of operations of the combined company. Our actual financial condition and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

There have been no adjustments made to give effect to any potential synergies or dis-synergies which may arise from the Arrangement.

The accounting policies used in the preparation of the Pro Forma Financial Statements are those set out in Flora's annual audited financial statements for the year ended December 31, 2021, as well as the annual audited financial statements of Franchise for the year ended December 31, 2021, and as such should be read in conjunction with such audited financial statements.

The unaudited pro forma consolidated statement of financial position as at June 30, 2022 has been prepared from information derived from the following:

- Flora's unaudited statement of financial position as at June 30, 2022;
- Franchise's unaudited statement of financial position as at June 30, 2022, translated to United States dollars from Canadian dollars at the June 30, 2022 rate of 0.7760.

The unaudited pro forma consolidated statement of loss and comprehensive loss for the six months ended June 30, 2022 has been prepared from information derived from the following:

- Flora's unaudited statement of loss and comprehensive loss for the six months ended June 30, 2022;
- Franchise Global Health Inc.'s unaudited statement of operations for the six months ended June 30, 2022, translated into United States dollars from Canadian dollars at the six-month average rate of 0.7866.

The unaudited pro forma consolidated statement of loss and comprehensive loss for the year ended December 31, 2021 has been prepared from information derived from the following:

- Flora's audited statement of loss and comprehensive loss for the period from January 1, 2021 to December 31, 2021;
- Franchise Cannabis Corp.'s audited statement of operations for the year ended December 31, 2021, translated to United States dollars from Canadian dollars at the twelve-month average rate of 0.7980. The amalgamation between Franchise Cannabis Corp. and a wholly owned subsidiary of Mercury Acquisition Corp. (renamed Franchise Global Health Inc.) occurred on March 25, 2022. For accounting purposes, Franchise Cannabis Corp. is the acquiror and therefore its results are utilized to represent the results of Franchise Global Health Inc. for the year end ended December 31, 2021.

The pro forma adjustments include all those transactions attributable to the Arrangement for which the complete financial effects are objectively determinable.

The Pro Forma Financial Statements are not intended to reflect the results of operations or the financial position that would have actually resulted had the Arrangement been effected on the dates indicated or the results which may be obtained in the future. The Pro Forma Financial Statements should be read in conjunction with the other sections of the Management Information Circular.

The pro forma adjustments are based on certain estimates and assumptions. Management believes that such assumptions provide a reasonable basis for presenting all the significant effects of the Arrangement contemplated and that the Pro Forma Financial Statement adjustments give appropriate effect to those adjustments and are properly applied in the Pro Forma Financial Statements.

The Pro Forma Financial Statements are based on estimates and assumptions set forth in the notes herein. The Pro Forma Financial Statements are being provided solely for informational purposes and are not necessarily indicative of any future consolidated financial position or of the consolidated financial position that might have been achieved for the periods indicated; nor is it necessarily indicative of future results that may occur.

The allocation of the purchase price to reflect the fair values of the assets acquired and liabilities assumed is based on management's estimate of such assets and liabilities and, accordingly, the adjustments that have been included in the Pro Forma Financial Statements as at June 30, 2022 may be subject to change. The preliminary purchase price allocation has been used to prepare the transaction accounting adjustments in the pro forma balance sheet and income statement. The final purchase price allocation will be determined when the Company has completed the detailed valuations and necessary calculations as described in more detail in the explanatory notes below. The final allocation is expected to be completed when the Company files its audited financial statements for the year then ended December 31, 2022, and could differ materially from the preliminary allocation used in the transaction accounting adjustments. The final allocation may include (1) changes in fair values of plant and equipment and inventories; (2) changes in allocations to intangible assets, as well as goodwill; and (3) other changes to assets and liabilities.

2. Pro Forma Assumptions and Adjustments

The unaudited pro forma consolidated statement of financial position gives effect to the completion of the Arrangement – as if the Arrangement had occurred on June 30, 2022. The unaudited pro forma consolidated statement of loss and comprehensive loss gives effect to the completion of those transactions had they occurred on January 1, 2021. The Pro Forma Financial Statements are based on the following estimates and assumptions:

a) On October 21, 2022 Flora entered into a share purchase agreement for the Arrangement. Management has assessed the Arrangement under *IFRS 3 Business Combinations* and concluded that it constitutes a business acquisition. Management of Flora has made a preliminary determination of the fair value of the tangible and intangible assets acquired and liabilities assumed in the Arrangement. If new information obtained within one year of the date of the Arrangement about the facts and circumstances that existed at the date of the Arrangement identifies adjustments to the amounts then the accounting for the Arrangement is to be revised. The final allocation of the fair value of the net assets acquired and aggregate consideration may be significantly different from the preliminary allocation as presented below:

43,525,951 common shares valued at $0.5749 per share (i)	$ 25,023,000
103,520 agent options value at $0.33 per option (ii)	34,000
Total consideration	25,057,000
Purchase price allocation:	
Cash and cash equivalents	1,891,000
Receivables	2,420,000
Due from former shareholder	655,000
Due from other related party	26,000
Prepaid expenses and deposits	1,418,000
Inventory (iii)	9,726,000
Marketable securities	32,000
Acquisition deposits	413,000
Plant and equipment (iv)	586,000
Right of use assets	275,000
Accounts payable and accrued liabilities	(7,176,000)
Income taxes payable	(73,000)
Lease liabilities	(308,000)
Loans payable	(1,568,000)
Deferred income tax liabilities	(2,815,000)
Intangible assets (v)	10,167,000
Goodwill (vi)	9,388,000
	$ 25,057,000

(i) The value of the purchase price will vary based on the market price of the Company's common shares upon consummation of the Arrangement. The Company believes that the following fluctuations in the market price of its common stock is reasonably possible based on historical volatility, and the potential effect on purchase price would be:

	Company' share price	Purchase Price
As presented	$ 0.5749	$ 25,057,000
50% Decrease	$ 0.2875	$ 12,548,000
30% Decrease	$ 0.4024	$ 17,549,000
50% Increase	$ 0.8624	$ 37,571,000
217% Increase	$ 1.2500	$ 54,441,000
239% Increase	$ 1.3750	$ 54,441,000
259% Increase	$ 1.4900	$ 54,441,000
261% Increase	$ 1.5000	$ 65,323,000
304% Increase	$ 1.7500	$ 76,204,000

(ii) As part of the Arrangement, 320,000 stock options in Franchise are expected to be converted to 103,520 stock options in the Company assuming an initial exchange ratio of 0.3235, and valued at $0.33 per stock option with the following assumptions utilized within a Black-Scholes valuation model:

Expiry: May 11, 2026
Stock price: $0.5749
Exercise price: $1.29
Volatility: 100%
Annual rate of dividends: 0%
Risk-free rate of interest: 3.75%

(iii) The calculation of the fair value of inventory is subject is preliminary and subject to change. The carrying value was used as it would approximate the fair value based on Franchise's historical net margins. For the seeds inventory, the fair value has not yet been determined. As a result of this determination, there have been no adjustments to pro forma financial statements.

(iv) The Company has not yet determined the fair value of plant and equipment acquired and is using the carrying value.

(v) The Company has preliminarily identified and valued $10,167,000 in intangible assets in relation to Phatebo GmbH based on their carrying values, including $3,573,000 for supply relationships, $2,233,000 for licenses and permits, and $4,355,000 for customer relationships. These intangible assets have an indefinite useful life. In addition, $6,000 of intangible assets with a definite life average of 4 years has been identified. The fair values of intangible assets for other subsidiaries have not yet been determined. Since all information required to perform a detailed valuation analysis of Franchise's intangible assets could not be obtained as of the date of this filing, for the purposes of these pro forma financial statements, the Company used certain assumption based on previous valuations concluded for these intangible assets within the preceding twelve months. A 10% change in the valuation of intangible assets would cause a corresponding increase or decrease in the balance of goodwill of $1,073,200, and annual amortization expense of approximately $145,000, assuming an overall weighted average useful life of 7 years.

(vi) Reflects adjustment to remove Franchise's historical goodwill of $5,027,000 and record goodwill resulting from the Arrangement of $9,388,000.

(vii) Reflects the elimination of Franchise's historical equity balances.

b) No finder's fees or commissions were paid or are payable in connection with the Arrangement other than share-based fees to certain investment banks acting as advisors to Franchise. These fees would be valued at $795,000 incurred by Franchise prior to the closing of the Arrangement.

c) Represents the accrual of legal, consulting and other professional fees in connection with the Arrangement and is estimated at $1,000,000. These costs will not affect the Company's income statement beyond 12 months after the closing of the Arrangement.

d) Certain members of Franchise's executive management are entitled to compensation in the event of termination without cause, including termination due to a change in control. These costs total $162,000.

e) In connection with the Arrangement, Franchise is expected to settle certain earned obligations through granting of restricted share units, which are to vest immediately prior to the Arrangement. The corresponding expense of $5,169,000 is included within listing expense in the historical income statement of Franchise for the six months ended June 30, 2022. These costs will not affect the Company's income statement beyond 12 months after the closing of the Arrangement.

f) In connection with the Arrangement, Franchise is expected to settle accounts payable and accrued liabilities balances as stipulated in the Arrangement.

g) In connection with and immediately preceding the Arrangement, Flora is expected to enter into an indemnification agreement with certain shareholders of Franchise. As a result, the shares of certain shareholders would be held in escrow and utilized to indemnify the Company against certain losses which may arise out of certain pre-existing litigation against Franchise as well as litigation which may be brought in the future against Franchise and pertaining to the period prior to the Arrangement. There are no adjustments to the Pro Forma Financial Statements as a result of this indemnification agreement.

h) The Company utilized an effective income tax rate of nil for the pro forma adjustments as these adjustments net to a taxable loss for which there is insufficient evidence to recognize a deferred income tax asset.

i) This adjustment reflects new compensation arrangements executed with certain key executives in connection with the Arrangement, resulting in a $194,000 increase in the annual compensation for these executives from their previous compensation.

3. Share Capital

A continuity of the pro forma consolidated share capital is as follows:

As at June 30, 2022	Note	Number of shares	Amount
Flora common shares outstanding prior to the Arrangement		76,944,000	$ 119,300,000
Shares issued to effect the Arrangement	2a	43,525,951	25,023,000
		120,469,951	$ 144,323,000

APPENDIX "H" – DISSENT PROVISIONS OF THE BCBCA

Business Corporations Act, SBC 2002, Ch. 27, Part 8, Division 2 – Dissent Proceedings

Definitions and application

237 (1) In this Division:

"**dissenter**" means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

"**notice shares**" means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

"**payout value**" means,

(a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,

(b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291(2)(c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement,

(c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order, or

(d) in the case of a dissent in respect of a community contribution company, the value of the notice shares set out in the regulations,

excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that

(a) the court orders otherwise, or

(b) in the case of a right of dissent authorized by a resolution referred to in section 238(1)(g), the court orders otherwise or the resolution provides otherwise.

Right to dissent

238 (1) A shareholder of a company, whether or not the shareholder's shares carry the right to vote, is entitled to dissent as follows:

(a) under section 260, in respect of a resolution to alter the articles

(i) to alter restrictions on the powers of the company or on the business the company is permitted to carry on, or

(ii) without limiting subparagraph (i), in the case of a community contribution company, to alter any of the company's community purposes within the meaning of section 51.91, or

(iii) without limiting subparagraph (i), in the case of a benefit company, to alter the company's benefit provision;

(b) under section 272, in respect of a resolution to adopt an amalgamation agreement;

(c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;

(d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;

(e) under section 301(5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;

(f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;

(g) in respect of any other resolution, if dissent is authorized by the resolution;

(h) in respect of any court order that permits dissent.

(1.1) A shareholder of a company, whether or not the shareholder's shares carry the right to vote, is entitled to dissent under section 51.995(5) in respect of a resolution to alter its notice of articles to include or to delete the benefit statement.

(2) A shareholder wishing to dissent must

(a) prepare a separate notice of dissent under section 242 for

(i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and

(ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,

(b) identify in each notice of dissent, in accordance with section 242(4), the person on whose behalf dissent is being exercised in that notice of dissent, and

(c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.

(3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must

(a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and

(b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

Waiver of right to dissent

239 (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.

(2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must

(a) provide to the company a separate waiver for

(i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and

(ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and

(b) identify in each waiver the person on whose behalf the waiver is made.

(3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to

(a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and

(b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.

(4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

Notice of resolution

240 (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.

(2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a statement advising of the right to send a notice of dissent.

(3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,

(a) a copy of the resolution,

(b) a statement advising of the right to send a notice of dissent, and

(c) if the resolution has passed, notification of that fact and the date on which it was passed.

(4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

Notice of court orders

241 If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

(a) a copy of the entered order, and

(b) a statement advising of the right to send a notice of dissent.

Notice of dissent

242 (1) A shareholder intending to dissent in respect of a resolution referred to in section 238(1)(a), (b), (c), (d), (e) or (f) or (1.1) must,

(a) if the company has complied with section 240(1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,

(b) if the company has complied with section 240(3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or

(c) if the company has not complied with section 240(1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of

(i) the date on which the shareholder learns that the resolution was passed, and

(ii) the date on which the shareholder learns that the shareholder is entitled to dissent.

(2) A shareholder intending to dissent in respect of a resolution referred to in section 238(1)(g) must send written notice of dissent to the company

(a) on or before the date specified by the resolution or in the statement referred to in section 240(2)(b) or (3)(b) as the last date by which notice of dissent must be sent, or

(b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.

(3) A shareholder intending to dissent under section 238(1)(h) in respect of a court order that permits dissent must send written notice of dissent to the company

(a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or

(b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.

(4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:

(a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;

(b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and

(i) the names of the registered owners of those other shares,

(ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and

(iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;

(c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and

(i) the name and address of the beneficial owner, and

(ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.

(5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

Notice of intention to proceed

243 (1) A company that receives a notice of dissent under section 242 from a dissenter must,

(a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of

(i) the date on which the company forms the intention to proceed, and

(ii) the date on which the notice of dissent was received, or

(b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.

(2) A notice sent under subsection (1)(a) or (b) of this section must

(a) be dated not earlier than the date on which the notice is sent,

(b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and

(c) advise the dissenter of the manner in which dissent is to be completed under section 244.

Completion of dissent

244 (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,

(a) a written statement that the dissenter requires the company to purchase all of the notice shares,

(b) the certificates, if any, representing the notice shares, and

(c) if section 242(4)(c) applies, a written statement that complies with subsection (2) of this section.

(2) The written statement referred to in subsection (1)(c) must

(a) be signed by the beneficial owner on whose behalf dissent is being exercised, and

(b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out

(i) the names of the registered owners of those other shares,

(ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and

(iii) that dissent is being exercised in respect of all of those other shares.

(3) After the dissenter has complied with subsection (1),

(a) the dissenter is deemed to have sold to the company the notice shares, and

(b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.

(4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.

(5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.

(6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

Payment for notice shares

245 (1) A company and a dissenter who has complied with section 244(1) may agree on the amount of the payout value of the notice shares and, in that event, the company must

(a) promptly pay that amount to the dissenter, or

(b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may

(a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,

(b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244(1), and

(c) make consequential orders and give directions it considers appropriate.

(3) Promptly after a determination of the payout value for notice shares has been made under subsection (2)(a) of this section, the company must

(a) pay to each dissenter who has complied with section 244(1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or

(b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(4) If a dissenter receives a notice under subsection (1)(b) or (3)(b),

(a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or

(b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.

(5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that

(a) the company is insolvent, or

(b) the payment would render the company insolvent.

Loss of right to dissent

246 The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:

(a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;

(b) the resolution in respect of which the notice of dissent was sent does not pass;

(c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;

(d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;

(e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed,

(f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;

(g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;

(h) the notice of dissent is withdrawn with the written consent of the company;

(i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

Shareholders entitled to return of shares and rights

247 If, under section 244(4) or (5), 245(4)(a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

(a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244(1)(b) or, if those share certificates are unavailable, replacements for those share certificates,

(b) the dissenter regains any ability lost under section 244(6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and

(c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

APPENDIX "I" – COMPARISON OF SHAREHOLDER RIGHTS UNDER THE OBCA AND BCBCA

The OBCA provides shareholders with substantially the same rights as are available to shareholders under the BCBCA, including rights of dissent and appraisal and rights to bring derivative actions and oppression actions. However, there are certain differences between the two statutes and the regulations made thereunder.

The following is a summary of certain differences between the BCBCA and the OBCA, but it is not intended to be a comprehensive review of the two statutes. Reference should be made to the full text of both statutes and the regulations thereunder for particulars of any differences between them, and FGH Shareholders should consult their legal or other professional advisors with regard to all of the implications of the Arrangement which may be of importance to them.

Charter Documents

Under the BCBCA, the charter documents consist of a "notice of articles," which sets forth, among other things, the name of the corporation and the amount and type of authorized capital, and "articles" which govern the management of the corporation. The notice of articles is filed with the Registrar of Companies, while articles are filed only with the corporation's records office.

Under the OBCA, a corporation's charter documents consist of "articles of incorporation" which set forth the name of the corporation and the amount and type of authorized capital, and the "by-laws" which govern the management of the corporation. The articles are filed with the Director under the OBCA and the by-laws are filed with the corporation's registered office, or at another location designated by the corporation's directors.

Sale of Business or Assets

Under the BCBCA, a corporation may sell, lease or otherwise dispose of all or substantially all of the undertaking of the corporation only if it is in the ordinary course of the corporation's business or with shareholder approval authorized by special resolution. Under the BCBCA, a special resolution requires the approval of a "special majority", which means the majority specified in a corporation's articles, if such specified majority is at least two-thirds and not more than three-quarters of the votes cast by those shareholders voting in person or by proxy at a general meeting of the corporation. If the articles do not contain a provision stipulating the special majority, then a special resolution is passed by at least two-thirds of the votes cast on the resolution.

The OBCA requires approval of the holders of two-thirds of the shares of a corporation represented at a duly called meeting to approve a sale, lease or exchange of all or substantially all of the property of the corporation that is other than in the ordinary course of business of the corporation. If a sale, lease or exchange by a corporation would affect a particular class or series of shares of the corporation in a manner different from the shares of another class or series of the corporation entitled to vote on the sale, lease or exchange at the meeting, the holders of such first mentioned class or series of shares, whether or not they are otherwise entitled to vote, are entitled to vote separately as a class or series in respect to such sale, lease or exchange.

Amendments to the Charter Documents of a Corporation

Changes to the articles of a corporation under the BCBCA will be effected by the type of resolution specified in the articles of a corporation, which, for many alterations, including change of name or alterations to the articles, could provide for approval solely by a resolution of the directors. In the absence of anything in the articles, most corporate alterations will require a special resolution of the shareholders to be approved by not less than two-thirds of the votes cast by the shareholders voting on the resolution. Alteration of the special rights and restrictions attached to issued shares requires, subject to the requirements set forth in the corporation's articles, consent by a special resolution. A proposed amalgamation or continuation of a corporation out of the jurisdiction generally requires shareholders approve such transaction by way of a special resolution.

Under the OBCA, certain amendments to the charter documents of a corporation require a resolution passed by not less than two-thirds of the votes cast by the shareholders voting on the resolution authorizing the amendments and, where certain specified rights of the holders of a class or series of shares are affected by the amendments differently than the rights of the holders of other classes or series of shares, such holders are entitled to vote separately as a class or series, whether or not such class or series of shares otherwise carry the right to vote. A resolution to amalgamate an OBCA corporation requires a special resolution passed by the holders of each class or series of shares, whether or not such shares otherwise carry the right to vote, if such class or series of shares are affected differently.

Rights of Dissent and Appraisal

The BCBCA provides that shareholders, including beneficial holders, who dissent from certain actions being taken by a corporation, may exercise a right of dissent and require the corporation to purchase the shares held by such shareholder at the fair value of such shares. The dissent right is applicable where the corporation proposes to:

(a) alter the articles to alter restrictions on the powers of the corporation or on the business it is permitted to carry on;

(b) adopt an amalgamation agreement;

(c) approve an amalgamation under Division 4 of Part 9 of the BCBCA;

(d) approve an arrangement, the terms of which arrangement permit dissent;

(e) authorize or ratify the sale, lease or other disposition of all or substantially all of the corporation's undertaking; or

(f) authorize the continuation of the corporation into a jurisdiction other than British Columbia.

Shareholders may also be entitled to dissent in respect of any other resolution of the corporation if dissent is authorized by such resolution or in respect of any court order that permits dissent.

The OBCA contains a similar dissent remedy to that contained in the BCBCA, although the procedure for exercising this remedy is different. Subject to specified exceptions, dissent rights are available where the corporation resolves to:

(a) amend its articles to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the corporation;

(b) amend its articles to add, remove or change any restriction upon the business or businesses that the corporation may carry on or upon the powers that the corporation may exercise;

(c) amalgamate with another corporation;

(d) be continued under the laws of another jurisdiction; or

(e) sell, lease or exchange all or substantially all its property.

Oppression Remedies

Under the OBCA a registered shareholder, beneficial owner, former registered shareholder or beneficial owner, director, former director, officer, former officer of a corporation or any of its affiliates, or any other person who, in the discretion of a court, is a proper person to seek an oppression remedy, and in the case of an offering

corporation, the Ontario Securities Commission, may apply to a court for an order to rectify the matters complained of where in respect of a corporation or any of its affiliates:

(a) any act or omission of a corporation or its affiliates effects or threatens to effect a result;

(b) the business or affairs of a corporation or its affiliates are or have been or are threatened to be carried on or conducted in a manner; or

(c) the powers of the directors of the corporation or any of its affiliates are, have been or are threatened to be exercised in a manner,

that is oppressive or unfairly prejudicial to, or that unfairly disregards the interests of any security holder, creditor, director or officer of the corporation.

On such an application, the court may make such order as it sees fit, including but not limited to, an order restraining the conduct complained of.

The oppression remedy under the BCBCA is similar to the remedy found in the OBCA, with a few differences. Under the OBCA, the applicant can complain not only about acts of the corporation and its directors but also acts of an affiliate of the corporation and the affiliate's directors, whereas under the BCBCA, the shareholder can only complain of oppressive conduct of the corporation and its directors. Under the BCBCA the applicant must bring the application in a timely manner, which is not required under the OBCA, and the court may make an order in respect of the complaint if it is satisfied that the application was brought by the shareholder in a timely manner. As with the OBCA, the court may make such order as it sees fit, including an order to prohibit any act proposed by the corporation. Under the OBCA a corporation is prohibited from making a payment to a successful applicant in an oppression claim if there are reasonable grounds for believing that (a) the corporation is, or after the payment, would be unable to pay its liabilities as they become due, or (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities; under the BCBCA, if there are reasonable grounds for believing that the corporation is, or after a payment to a successful applicant in an oppression claim would be, unable to pay its debts as they become due in the ordinary course of business, the corporation must make as much of the payment as possible and pay the balance when the corporation is able to do so.

Shareholder Derivative Actions

Under the BCBCA, a shareholder, defined as including a beneficial owner and any other person whom the court considers to be an appropriate person to make an application under the BCBCA, or a director of a corporation may, with leave of the court, bring a legal proceeding in the name and on behalf of the corporation to enforce an obligation owed to the corporation that could be enforced by the corporation itself, or to obtain damages for any breach of such an obligation. An applicant may also, with leave of the court, defend a legal proceeding brought against a corporation.

A broader right to bring a derivative action is contained in the OBCA than is found in the BCBCA, and this right extends to former shareholders, directors or officers of a corporation or its affiliates, and any person who, in the discretion of the court, is a proper person to make an application to court to bring a derivative action. In addition, the OBCA permits derivative actions to be commenced in the name and on behalf of a corporation or any of its subsidiaries. The complainant must provide the directors of the corporation or its subsidiary with fourteen days' notice of the complainant's intention to apply to the court to bring a derivative action, unless all of the directors of the corporation or its subsidiary are defendants in the action.

Requisition of Meetings

The BCBCA provides that one or more shareholders of a corporation holding not less than 5% of the issued shares that carry the right to vote at general meetings of the corporation may give notice to the directors requiring them to call and hold a general meeting which meeting must be held within 4 months. Subject to certain exceptions, if

the directors fail to provide notice of a meeting within 21 days of receiving the requisition, the requisitioning shareholders, or any one or more of them holding, in the aggregate, more than 2.5% of the issued shares of the corporation that carry the right to vote at general meetings may send notice of a general meeting to be held to transact the business stated in the requisition.

The OBCA permits the holders of not less than 5% of the issued shares of a corporation that carry the right to vote to require the directors to call and hold a meeting of the shareholders of the corporation for the purposes stated in the requisition. Subject to certain exceptions, if the directors fail to provide notice of a meeting within 21 days of receiving the requisition, any shareholder who signed the requisition may call the meeting.

Form and Solicitation of Proxies, Information Circular

Under the BCBCA, the management of a public corporation, concurrently with sending a notice of meeting of shareholders, must send a form of proxy to each shareholder who is entitled to vote at the meeting as well as an information circular containing prescribed information regarding the matters to be dealt with at the meeting. The required information is substantially the same as the requirements that apply to the corporation under applicable securities laws. The BCBCA does not place any restriction on the method of soliciting proxies.

The OBCA also contains provisions prescribing the form and content of notices of meeting and information circulars. Under the OBCA, a person who solicits proxies, other than by or on behalf of management of the corporation, must send a dissident's proxy circular in prescribed form to each shareholder whose proxy is solicited and certain other recipients. Pursuant to the OBCA a person may solicit proxies without sending a dissident's proxy circular if either (i) the total number of shareholders whose proxies solicited is 15 or fewer (with two or more joint holders being counted as one shareholder), or (ii) the solicitation is, in certain prescribed circumstances, conveyed by public broadcast, speech or publication.

Place of Shareholders' Meetings

The BCBCA requires all meetings of shareholders to be held in British Columbia unless: (i) a location outside the province of British Columbia is provided for in the articles; (ii) the articles do not restrict the corporation from approving a location outside of the province of British Columbia for holding of the general meeting and the location of the meeting is approved by the resolution required by the articles for that purpose, or, if no resolution is required for that purpose by the articles, approved by ordinary resolution; or (iii) if the location for the meeting is approved in writing by the registrar before the meeting is held.

The OBCA provides that, subject to the articles and any unanimous shareholder agreement, meetings of shareholders may be held either inside or outside Ontario as the directors may determine, or in the absence of such a determination, at the place where the registered office of the corporation is located.

Removal of Directors

The BCBCA provides that the shareholders of a corporation may remove one or more directors by a special resolution or by any other type of resolution or method specified in the articles. If holders of a class or series of shares have the exclusive right to elect or appoint one or more directors, a director so elected or appointed may only be removed by a separate special resolution of the shareholders of that class or series or by any other type of resolution or method specified in the articles.

The OBCA provides that the shareholders of a corporation may by ordinary resolution at an annual or special meeting remove any director or directors from office. An ordinary resolution under the OBCA requires the resolution to be passed, with or without amendment, at the meeting by at least a majority of the votes cast. The OBCA further provides that where the holders of any class or series of shares of a corporation have an exclusive right to elect one or more directors, a director so elected may only be removed by an ordinary resolution at a meeting of the shareholders of that class or series.

Meaning of Insolvent

Under the BCBCA, for purposes of the insolvency test that must be passed for the payment of dividends and purchases and redemptions of shares, "insolvent" is defined to mean when a corporation is unable to pay its debts as they become due in the ordinary course of its business. Unlike the OBCA, the BCBCA does not impose a net asset solvency test for these purposes. For purposes of proceedings to dissolve or liquidate, the definition of "insolvent" from federal bankruptcy legislation applies.

Under the OBCA, a corporation may not pay dividends or purchase or redeem its shares if there are reasonable grounds for believing (i) it is or would be unable to pay its liabilities as they become due; or (ii) it would not meet a net asset solvency test. The net asset solvency tests for different purposes vary somewhat.

Reduction of Capital

Under the BCBCA, capital may be reduced by special resolution or court order. A court order is required if the realizable value of the corporation's assets would, after the reduction of capital, be less than the aggregate of its liabilities.

Under the OBCA, capital may be reduced by special resolution but not if there are reasonable grounds for believing that, after the reduction, (i) the corporation would be unable to pay its liabilities as they become due; or (ii) the realizable value of the corporation's assets would be less than its liabilities.

Shareholder Proposals

The BCBCA includes a more detailed regime for shareholders' proposals than the OBCA. For example, a person submitting a proposal must have been the registered or beneficial owner of one or more voting shares for an uninterrupted period of at least two years before the date of the signing of the proposal. In addition, the proposal must be signed by shareholders who, together with the submitter, are registered or beneficial owners of (i) at least 1% of the corporation's voting shares, or (ii) shares with a fair market value exceeding an amount prescribed by regulation (at present, C$2,000).

The OBCA allows shareholders entitled to vote or a beneficial owner of shares that are entitled to be voted to submit a notice of a proposal.

Compulsory Acquisitions

The OBCA provides a right of compulsory acquisition for an offeror that acquires 90% of the target securities pursuant to a take-over bid or issuer bid, other than securities held at the date of the bid by or on behalf of the offeror.

The BCBCA provides a substantively similar right although there are differences in the procedures and process. Unlike the OBCA, the BCBCA provides that where an offeror does not use the compulsory acquisition right when entitled to do so, a securityholder who did not accept the original offer may require the offeror to acquire the securityholder's securities on the same terms contained in the original offer.

Investigation / Appointment of Inspectors

Under the BCBCA, a corporation may appoint an inspector by special resolution. Shareholders holding, in the aggregate, at least 20% of the issued shares of a corporation may apply to the court for the appointment of an inspector. The court must consider whether there are reasonable grounds for believing there has been oppressive, unfairly prejudicial, fraudulent, unlawful or dishonest conduct.

Under the OBCA, shareholders can apply to the court for the appointment of an inspector. Unlike the BCBCA, the OBCA does not require an applicant to hold a specified number of shares.

APPENDIX "J"

FLORA GROWTH FINANCIAL STATEMENTS

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- **Flora Growth's unaudited interim condensed consolidated financial statements for the six months ended June 30, 2022 and 2021**
- **Flora Growth's audited consolidated financial statements for the years ended December 31, 2021, 2020 and 2019**
- **Flora Growth's audited consolidated financial statements for the year ended December 31, 2020 and the period from incorporation on March 13, 2019 to December 31, 2019**

Flora Growth Corp.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022 and 2021

(Unaudited)

(Expressed in United States Dollars)

Flora Growth Corp.
Interim Condensed Consolidated Statements of Financial Position
(Unaudited - Prepared by Management)
(in thousands of United States dollars)

As at:	June 30, 2022	December 31, 2021
ASSETS		
Current		
Cash	**$ 10,268**	$ 37,614
Restricted cash	**1**	2
Trade and amounts receivable (Note 3)	**5,092**	5,324
Loans receivable and advances	**262**	273
Prepaid expenses	**2,224**	1,700
Biological assets (Note 4)	**14**	37
Inventory (Note 5)	**9,295**	2,993
Total current assets	**27,156**	47,943
Non-current		
Property, plant and equipment (Note 6)	**4,565**	3,750
Right of use assets (Note 11)	**3,639**	1,229
Intangible assets (Note 9)	**13,432**	9,736
Goodwill (Note 9)	**28,666**	20,054
Investments (Note 7)	**1,337**	2,670
Other Assets	**273**	97
Total assets	**$ 79,068**	$ 85,479
LIABILITIES		
Current		
Trade payables and accrued liabilities	**$ 7,401**	$ 5,628
Current portion of long term debt	**10**	18
Current portion of lease liability (Note 11)	**1,120**	412
Other accrued liabilities	**20**	61
Total current liabilities	**8,551**	6,119
Non-current		
Non-current debt	**138**	-
Non-current lease liability (Note 11)	**2,441**	908
Deferred tax (Note 16)	**1,511**	1,511
Other long term liabilities (Note 8)	**3,958**	-
Total liabilities	**16,599**	8,538
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	**119,300**	102,428
Options (Note 13)	**6,611**	3,712
Warrants (Note 14)	**10,047**	10,670
Accumulated other comprehensive loss	**(1,675)**	(1,108)
Deficit	**(71,512)**	(38,536)
Non-controlling interest	**(302)**	(225)
Total shareholders' equity	**62,469**	76,941
Total liabilities and shareholders' equity	**$ 79,068**	$ 85,479

Nature of operations (Note 1); Provisions, commitments and contingencies (Note 15); Subsequent events (Note 22)
The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Flora Growth Corp.
Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
(Unaudited - Prepared by Management)
(in thousands of United States dollars, except per share amounts which are in thousands of shares)

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Revenue (Note 21)	$ 14,917	$ 2,118
Cost of sales	8,415	1,106
Gross profit before fair value adjustments	6,502	1,012
Unrealized gain on changes in fair value of biological assets (Note 4)	46	-
Realized fair value amounts included in inventory sold (Note 4)	(2)	-
Gross Profit	6,546	1,012
Operating Expenses		
Consulting and management fees	5,243	2,262
Professional fees	2,096	766
General and administrative	2,429	1,481
Promotion and communication	4,719	1,180
Travel expenses	601	143
Share based compensation (Note 13)	2,855	95
Research and development	422	85
Depreciation and amortization (Notes 6 and 9)	1,712	119
Bad debt expense (Note 3)	405	100
Goodwill impairment (Notes 9 and 10)	16,000	-
Other expenses (income), net	1,178	(67)
Total operating expenses	37,660	6,164
Operating Loss	(31,114)	(5,152)
Interest expense	69	64
Foreign exchange loss (gain)	200	(78)
Unrealized loss on fair value of investments (Note 7)	1,333	-
Net loss before income taxes	(32,716)	(5,138)
Income tax benefit (Note 16)	-	-
Net loss for the period	$ (32,716)	$ (5,138)
Other comprehensive loss		
Exchange differences on foreign operations	567	200
Total comprehensive loss for the period	$ (33,283)	$ (5,338)
Net loss attributable to:		
Flora Growth Corp.	$ (32,611)	$ (5,097)
Non-controlling interests	(105)	(41)
Comprehensive loss attributable to:		
Flora Growth Corp.	$ (33,178)	$ (5,297)
Non-controlling interests	(105)	(41)
Basic and diluted loss per share attributable to Flora Growth Corp.	$ (0.42)	$ (0.13)
Weighted average number of common shares outstanding - basic and diluted (Note 17)	76,944	39,604

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Flora Growth Corp.
Interim Condensed Consolidated Statement of Shareholders' Equity (Deficiency)
(Unaudited - Prepared by Management)
(in thousands of United States dollars, except for share amounts which are in thousands of shares)

	Common Shares		Options	Warrants	Accumulated other comprehensive (loss) income	Accumulated Deficit	Non-Controlling interest (Deficiency)	Shareholders' Equity (Deficiency)
	#	$	$	$	$	$	$	$
Balance, December 31, 2020	38,355	27,254	2,396	3,961	39	(17,287)	(113)	16,250
Initial public offering	3,333	16,667	-	-	-	-	-	16,667
Regulation A and Other Offerings	(1)	(3)	-	-	-	-	-	(3)
Share issuance costs	-	(5,040)	-	-	-	-	-	(5,040)
Warrants issued	-	-	-	1,349	-	-	-	1,349
Warrants exercised	337	65	-	(5)	-	-	-	60
Options issued	-	-	95	-	-	-	-	95
Other comprehensive loss – exchange differences on foreign operations	-	-	-	-	(201)	-	-	(201)
Current year net loss attributable to Flora	-	-	-	-	-	(5,097)	(41)	(5,138)
Balance, June 30, 2021	42,024	38,943	2,491	5,305	(162)	(22,384)	(154)	24,039
Balance, December 31, 2021	65,517	102,428	3,712	10,670	(1,108)	(38,536)	(225)	76,941
Share repurchase (Note 12)	-	(250)	-	-	-	-	-	(250)
Common shares issued for business combinations (Notes 8 and 12)	9,500	14,697	-	-	-	-	-	14,697
Common shares issued for other agreements (Note 12)	811	1,470	84	-	-	-	-	1,554
Acquisition of noncontrolling interest (Note 8)	131	220	63	-	-	(365)	28	(54)
Options issued (Note 13)	-	-	2,771	-	-	-	-	2,771
Options exercised (Note 13)	512	96	(19)	-	-	-	-	77
Warrants exercised (Note 14)	473	132	-	(41)	-	-	-	91
Warrants expired/cancelled (Note 14)	-	582	-	(582)	-	-	-	-
Share issuance costs	-	(75)	-	-	-	-	-	(75)
Other comprehensive loss – exchange differences on foreign operations	-	-	-	-	(567)	-	-	(567)
Current year net loss attributable to Flora	-	-	-	-	-	(32,611)	(105)	(32,716)
Balance, June 30, 2022	76,944	119,300	6,611	10,047	(1,675)	(71,512)	(302)	62,469

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Flora Growth Corp.
Interim Condensed Consolidated Statement of Cash Flows
(Unaudited - Prepared by Management)
(in thousands of United States dollars)

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Cash flows from operating activities:		
Net loss	$ (32,716)	$ (5,138)
Adjustments to net loss:		
Depreciation and amortization	1,712	119
Stock-based compensation	3,044	95
Impairments	16,000	-
Changes in fair value of investments and biological assets	1,287	-
Bad debt expense	405	100
Interest expense	56	15
Income tax benefit	-	-
Income tax (paid) received	-	-
	(10,212)	(4,809)
Net change in non-cash working capital:		
Trade and other receivables	802	(772)
Inventory	(699)	(421)
Prepaid expenses and other assets	(33)	(1,415)
Trade payables and accrued liabilities	(341)	1,647
Net cash used in operating activities	**(10,483)**	**(5,770)**
Cash flows from financing activities:		
Common shares issued	-	16,664
Equity issue costs	(75)	(2,024)
Exercise of warrants and options	168	60
Repayments of lease liability	(420)	(61)
Common shares repurchased	(250)	-
Interest paid	(69)	-
Loan borrowing (repayments)	130	(220)
Net cash (used) provided by financing activities	**(516)**	**14,419**
Cash flows from investing activities:		
Loans provided	-	(275)
Loan repayments received	-	224
Purchases of property, plant and equipment and other assets	(722)	(1,384)
Purchase of investments	-	(2,430)
Business and asset acquisitions, net of cash acquired	(15,457)	(1,306)
Net cash used in investing activities	**(16,179)**	**(5,171)**
Effect of exchange rate on changes on cash	(168)	(195)
Change in cash during the period	**(27,346)**	**3,283**
Cash and cash equivalents at beginning of period	37,614	15,523
Cash and cash equivalents at end of period	$ 10,268	$ 18,806
Supplemental disclosure of non-cash activities		
Right of use assets and lease liabilities acquired (Note 11)	$ 2,053	$ -
Common shares issued for business combinations (Notes 8)	14,917	-

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. NATURE OF OPERATIONS

Flora Growth Corp. (the "Company" or "Flora") was incorporated under the laws of the Province of Ontario, Canada on March 13, 2019. The Company is a manufacturer of global cannabis products and brands, building a connected, design-led collective of plant-based wellness and lifestyle brands. The Company's registered office is located at 365 Bay Street, Suite 800, Toronto, Ontario, M5H 2V1, Canada and our principal place of business in the United States is located at 3406 SW 26th Terrace, Suite C-1, Fort Lauderdale, Florida 33312.

These interim condensed consolidated financial statements have been prepared on a going concern basis, meaning that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations.

2. BASIS OF PRESENTATION

Statement of compliance
These interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements do not include all notes of the type normally included within the annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2021 included in our Annual Report on Form 20-F filed with the Securities and Exchange Commission (the "SEC"), which have been prepared in accordance with IFRS issued by the IASB and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on August 11, 2022.

Basis of consolidation
These interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions were eliminated on consolidation. Subsidiaries are entities the Company controls when it is exposed, or has rights, to variable returns from its involvement in the entity and can affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are included in the consolidated financial results of the Company from the date of acquisition up to the date of disposition or loss of control. As at June 30, 2022, the Company had the following subsidiaries:

Subsidiaries	Country of incorporation	Ownership	Functional currency
Cosechemos YA S.A.S.	Colombia	90%	Colombia Peso (COP)
Flora Growth Corp. Sucursal Colombia	Colombia	100%	Colombia Peso (COP)
Hemp Textiles & Co. LLC	United States	100%	United States Dollar (USD)
Hemp Textiles & Co. S.A.S.	Colombia	100%	Colombia Peso (COP)
Flora Beauty LLC	United States	100%	United States Dollar (USD)
Flora Beauty LLC Sucursal Colombia	Colombia	100%	Colombia Peso (COP)
Kasa Wholefoods Company S.A.S.	Colombia	90%	Colombia Peso (COP)
Kasa Wholefoods Company LLC	United States	100%	United States Dollar (USD)
Grupo Farmaceutico Cronomed S.A.S.	Colombia	100%	Colombia Peso (COP)
Labcofarm Laboratorios S.A.S.	Colombia	100%	Colombia Peso (COP)
Breeze Laboratory S.A.S.	Colombia	100%	Colombia Peso (COP)
Vessel Brand Inc.	United States	100%	United States Dollar (USD)
Just Brands LLC	United States	100%	United States Dollar (USD)
Just Brands International LTD	United Kingdom	100%	British Pound (GBP)
High Roller Private Label LLC	United States	100%	United States Dollar (USD)
Flora Growth US Holdings Corp.	United States	100%	United States Dollar (USD)
Flora Growth Management Corp.	United States	100%	United States Dollar (USD)
Cardiff Brand Corp.	United States	100%	United States Dollar (USD)
Keel Brand Corp.	United States	100%	United States Dollar (USD)
Flora Growth F&B Corp.	United States	100%	United States Dollar (USD)

Basis of measurement
The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value and biological assets as explained in the accounting policies included in the audited consolidated financial statements of the Company for the year ended December 31, 2021. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The unaudited interim condensed consolidated financial statements are presented in United States dollars ("$") unless otherwise noted.

Significant Accounting Policies and Critical Judgments and Estimation Uncertainties
The interim condensed consolidated financial statements were prepared using the same accounting policies, judgments, estimates and assumptions as those used in the Company's consolidated financial statements for the year ended December 31, 2021, except as noted below for the following new significant transactions that occurred in 2022.

Contingent Purchase Consideration
Contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at subsequent reporting dates with the corresponding gain or loss recognized in profit or loss. Management exercises judgment to determine the classification of contingent consideration as equity or liability based on the terms of the agreement and potential for the consideration to result in a cash outflow by the Company. Fair value estimates are determined using appropriate valuation techniques based on the nature of the terms in the purchase agreement.

3. TRADE AND AMOUNTS RECEIVABLE

The Company's trade and amounts receivable are recorded at amortized cost. The trade and other receivables balance as at June 30, 2022 and December 31, 2021 consists of trade accounts receivable, amounts recoverable from the Government of Canada for Harmonized Sales Taxes ("HST") and other receivables.

	June 30, 2022	December 31, 2021
Thousands of United States dollars		
Trade accounts receivable	$ 5,428	$ 5,565
Allowance for expected credit losses	(1,679)	(1,252)
HST receivable	411	259
Other receivables	932	752
Total	$ 5,092	$ 5,324

Changes in the trade accounts receivable allowance in the six months ended June 30, 2022 primarily relate to establishing an allowance for expected credit losses from the acquisition of JustCBD balances. There were no write-offs of trade receivables during the six months ended June 30, 2022. The Company has no amounts written-off that are still subject to collection enforcement activity as at June 30, 2022. There was an additional $0.3 million of expected credit losses recorded in other receivables as at June 30, 2022. The Company's aging of trade accounts receivable is as follows:

	June 30, 2022
Thousands of United States dollars	
Current	$ 1,641
1-30 Days	614
31-60 Days	259
61-90 Days	383
91-180 Days	1,383
180+ Days	1,148
Total trade receivables	$ 5,428

4. BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants throughout the growth cycle including propagation, vegetative and flowering stages. Cannabis plants cease being biological assets upon harvest when the fair value at time of harvest is transferred to harvested cannabis inventory. The Company has no biological assets with title restricted or pledged as collateral, and no significant commitments for development or acquisition of biological assets as at June 30, 2022.

The changes in the carrying value of biological assets are as follows:

Thousands of United States Dollars	
Opening balance at December 31, 2021	$ 37
Changes in fair value less cost to sell due to biological transformation	46
Transferred to harvested cannabis inventory upon harvest	(69)
Ending balance at June 30, 2022	$ 14

The valuation of biological assets is based on an income approach (Level 3) in which the fair value at the point of harvesting is estimated based on selling prices less the costs to sell. For in-process biological assets (growing plants), the fair value at the point of harvest is adjusted based on the stage of growth at period-end. Harvested cannabis is transferred from biological assets at their fair value at harvest to harvested cannabis within inventory.

Significant inputs and assumptions used in determining the fair value of cannabis plants are as follows as at June 30, 2022:

Average selling price per gram of $0.10 – Represents estimated selling price of dried cannabis end products net of excise taxes, where applicable, for the period for all strains of cannabis, which is expected to approximate future selling prices. Increasing this amount results in an increase in fair value.

Weighted average yield of 21 gram per plant – Represents the weighted average number of grams of dried cannabis inventory expected to be harvested from each cannabis plant. Increasing this amount results in an increase in fair value.

Post-harvest cost per gram to complete production of $0.04 – Based on estimated future production costs incurred divided by estimated grams produced in the period. Increasing this amount results in a decrease in fair value.

Changes in the assumptions above of 10% would not have a significant impact on the fair value of biological assets as at June 30, 2022.

As at June 30, 2022, the weighted average fair value less cost to complete and cost to sell a gram of dried cannabis was $0.06 per gram. The Company's biological assets produced 746 kilograms of dried cannabis in the six months ended June 30, 2022 and the Company expects the biological assets will yield 190 kilograms of cannabis when harvested. The weighted average stage of growth for the biological assets was 41%.

5. INVENTORY

Inventory is comprised of the following as at June 30, 2022 and December 31, 2021:

Thousands of United States dollars	**June 30, 2022**	December 31, 2021
Raw materials and supplies	**$ 2,161**	$ 899
Harvested cannabis	**92**	35
Work in progress	**465**	97
Finished goods	**6,577**	1,962
Total	**$ 9,295**	$ 2,993

6. PROPERTY, PLANT AND EQUIPMENT

In Thousands of United States dollars	Construction in progress	Machinery and Office equipment	Buildings	Vehicles	Land	Subtotal	Right of use assets	Total
Cost at December 31, 2021	$ 905	$ 1,991	$ 928	$ 37	$ 112	$ 3,973	$ 1,532	$ 5,505
Additions	321	53	23	-	305	702	2,053	2,755
Business combinations (Note 8)	-	506	-	30	-	536	772	1,308
Foreign exchange translation	(52)	(71)	(38)	(1)	(22)	(184)	(49)	(233)
Cost as at June 30, 2022	1,174	2,479	913	66	395	5,027	4,308	9,335
Accumulated depreciation								
As at December 31, 2021	-	(169)	(44)	(10)	-	(223)	(303)	(526)
Depreciation	-	(229)	(44)	(2)	-	(275)	(383)	(658)
Disposals	-	20	-	-	-	20	-	20
Foreign exchange translation	-	12	4	-	-	16	17	33
Accumulated depreciation as at June 30, 2022	-	(366)	(84)	(12)	-	(462)	(669)	(1,131)
Carrying value								
As at December 31, 2020	905	1,822	884	27	112	3,750	1,229	4,979
As at June 30, 2022	**$ 1,174**	**$ 2,113**	**$ 829**	**$ 54**	**$ 395**	**$ 4,565**	**$ 3,639**	**$ 8,204**

7. LONG-TERM INVESTMENTS

As at June 30, 2022, the Company's long-term investments consist of common shares and warrants to purchase additional common shares in an early stage European cannabis company. In 2021, the Company purchased common shares from the investee for Euro 2.0 million ($2.4 million), purchased its first tranche of warrants from existing investors in exchange for 225,000 common shares of the Company, and obtained a second tranche of warrants from the investee as an inducement to exercise some of the first tranche of warrants. As at June 30, 2022, the Company owns approximately 9.6% of the investee, or approximately 8.6% on a diluted basis including exercisable warrants of the Company and other investors.

The warrants allow the holder to purchase one common share of the investee for CAD 0.30 ($0.23) for the first tranche, and CAD 1.00 ($0.78) for the second tranche. The warrants were immediately exercisable and expire February 1, 2023.

The Company's cost of the investments was recorded based on the fair value of the consideration exchanged as at the respective transaction dates. The investee is not a publicly listed entity and has no active quoted prices for its common shares or warrants. Subsequent remeasurements are recorded as FVPL as indicated on the unrealized investments loss caption on the statement of loss and comprehensive loss. The Company estimated the fair value of the investments as at June 30, 2022 using Level 3 inputs of the fair value hierarchy with the fair value of the investee common shares at $0.32, the first tranche warrants at $0.13, and the second tranche warrants at $0.02.

The investee common shares were valued considering price to book value and price to tangible book value of the investee (3.6 and 4.8, respectively) as well as comparable guideline publicly traded companies at the time of initial investment. These initial investment multiples were compared to the guideline public company multiples observed as at June 30, 2022 (2.2 price to book value and 3.0 price to tangible value), with these updated valuation multiples applied to the investee's estimated book value. The Company also considered the status of the investee's milestones between the purchase date and year-end for indicators of change in value.

The fair value of the warrants was developed using a Black-Scholes model for each tranche with the following assumptions:

	Warrants CAD 0.30 exercise price	Warrants CAD 1.00 exercise price
Share price	$ 0.32	$ 0.32
Exercise price	$ 0.23	$ 0.78
Volatility	100%	100%
Risk-free interest rate	3.1%	3.1%
Dividend yield	0.0%	0.0%
Expected term in years	0.6	0.6
Fair value	$ 0.13	$ 0.02
Quantity owned	1,666,667	333,333
Fair value	$ 222,000	$ 8,000

The share price is based on the calculated value of the investee's common shares as discussed above. The volatility considers actual volatility of comparable guideline public companies.

A schedule of the Company's long-term investments activity is as follows:

Financial asset hierarchy level	Investee common shares Level 3	Warrants CAD 0.30 exercise price Level 3	Warrants CAD 1.00 exercise price Level 3	Total
Thousands of United States dollars	$	$	$	$
Balance at December 31, 2021	1,987	625	58	2,670
Loss on changes in fair value	(880)	(403)	(50)	(1,333)
Balance at June 30, 2022	1,107	222	8	1,337

The loss on changes in fair value appear in the unrealized loss on fair value of investments caption in the statement of loss and comprehensive loss.

As a sensitivity assessment to the fair value calculations, a 10% change in the valuation multiples applied to the investee common shares results in a 10% change in the fair value as at June 30, 2022 of $111,000. Applying a 10% change in share price to the warrants results in an approximately $44,000 change in fair value, and a 10% change in volatility of approximately $14,000.

8. ASSET ACQUISITIONS AND BUSINESS COMBINATIONS

Just Brands LLC and High Roller Private Label LLC (collectively "JustCBD") business combination

On February 24, 2022, Flora Growth U.S. Holdings Corp., a wholly-owned subsidiary of the Company, completed the acquisition of 100% of the outstanding equity interests in each of (i) Just Brands LLC and (ii) High Roller Private Label LLC for total purchase consideration of $34.6 million. JustCBD is a manufacturer and distributor of consumable cannabinoid products, including gummies, tinctures, vape cartridges, and creams. JustCBD is based in Florida in the United States and was formed in 2017. The Company acquired JustCBD to expand its product offerings, accelerate its revenue growth, expand its customer and distribution footprints in the United States and for the acquisition of human capital through JustCBD's management team.

The purchase consideration was comprised of $16.0 million of cash, 9.5 million common shares of the Company valued at $14.7 million, inclusive of a 15% fair value discount for the required six-month holding period of the shares, and $4.0 million of contingent purchase consideration. The contingent purchase consideration is based on a clause in the purchase agreement that provides that if at any time during the 24 months following the acquisition date, the five-day volume weighted average price ("VWAP") per share of the Company's common shares as quoted on the Nasdaq Capital Market fails to equal or exceed $5.00, then the Company shall issue a number of additional common shares to the sellers equal to the difference between (x) a fraction, the numerator of which is $47.5 million and the denominator of which is the highest five day VWAP at any point during the 24 months following the closing and (y) the 9.5 million common shares delivered to the sellers at the closing. In no event shall the Company be required to issue more than 3.65 million common shares unless it shall have obtained the consent of the Company's shareholders to do so. In the event the Company is required to deliver in excess of 3.65 million shares to the sellers ("Excess Shares") and the Company shall not have obtained shareholder consent, the Company may deliver cash to the sellers in lieu of such Excess Shares determined by a formula set forth in the purchase agreement. The contingent purchase consideration is classified as a financial liability within other long-term liabilities on the statement of financial position as the Company may be required to settle any amounts due in cash instead of common shares if the Company's common shareholders do not provide requisite shareholder approval to issue additional common shares.

The fair value of the contingent purchase consideration was determined using a Monte Carlo simulation incorporating Brownian motion with 100,000 trials through a binomial lattice model. The significant inputs to the valuation include the two year time period, the Company's closing share price at February 24, 2022 ($1.82), estimated Company common share volatility (100%), and risk free rate of 1.5% to discount the ending result to present value.

The amounts recognized as at the acquisition date for each major class of assets acquired and liabilities assumed are as follows:

(Thousands of United States dollars)		
Current assets		
Cash	$	535
Trade receivables		975
Inventory		5,534
Other current assets		540
Non-current assets		
Property, plant, and equipment		537
Right of use assets		772
Other non-current assets		127
Intangible asset		4,757
Goodwill		24,869
Total assets	$	38,646
Current liabilities		
Trade payables and accrued liabilities	$	(2,273)
Current lease liabilities		(644)
Provision for sales tax		(982)
Other current liabilities		(99)
Total liabilities	$	(3,998)
Total net assets acquired	$	34,648

The fair value of the trade receivables reflects a $291,000 discount to the gross contractual amounts as allowance for potentially uncollectible amounts. Since the acquisition date through June 30, 2022, JustCBD revenue was $10.0 million with net loss and comprehensive loss of $0.4 million.

The intangible assets of $4.8 million are comprised of the following categories and estimated useful lives: tradenames of $3.4 million for eight to nine years, customer relationships of $1.2 million for five to seven years, and know-how of $0.2 million for three years. The Company expects the goodwill and intangible asset values to be deductible for Unites States income tax purposes.

If JustCBD was acquired at January 1, 2022, the combined revenue and net loss of JustCBD and the Company would have increased approximately $5.2 million and $1.6 million, respectively.

Acquisition of Minority interests
On January 18, 2022, the Company acquired the remaining 10% of the outstanding equity interests in Flora Beauty LLC from its minority shareholder in exchange for 100,000 common shares of the Company and a stock option exercisable for up to 50,000 common shares of the Company at an exercise price of $1.70 per share that expire five years from the date of the grant.

On January 31, 2022, the Company completed its acquisition of Breeze by acquiring the remaining 10% of the equity interests in Breeze from its minority shareholders in exchange for 30,282 common shares of the Company.

9. INTANGIBLE ASSETS AND GOODWILL

A continuity of intangible assets for the six months ended June 30, 2022 is as follows:

In Thousands of United States dollars	License	Customer Relationships	Trademarks and Brands	Patents	Non-Compete Agreements	Goodwill	Total
Cost							
At December 31, 2021	$ 610	$ 1,759	$ 2,211	$ 4,300	$ 1,190	$ 20,054	$ 30,124
Acquired through business combinations (Note 8)	-	1,160	3,357	240	-	24,869	29,626
Impairment	-	-	-	-	-	(16,000)	(16,000)
At June 30, 2022	$ 610	$ 2,919	$ 5,568	$ 4,540	$ 1,190	$ 28,923	$ 43,750
Accumulated Amortization							
At December 31, 2021	$ 129	$ 26	$ 35	$ 48	$ 66	$ -	$ 304
Additions	82	169	306	297	198	-	1,052
At June 30, 2022	$ 211	$ 195	$ 341	$ 345	$ 264	$ -	$ 1,356
Foreign Currency translation	(18)	-	(21)	-	-	(257)	(296)
Net book value at June 30, 2022	**$ 381**	**$ 2,724**	**$ 5,206**	**$ 4,195**	**$ 926**	**$ 28,666**	**$ 42,098**

The Company's intangible asset additions in 2022 primarily consist of assets acquired as part of the February 2022 purchase of JustCBD (Note 8). Information regarding the significant JustCBD intangible assets within the indicated categories of the table above is as follows as at June 30, 2022:

- Tradenames: carrying amount $3.2 million with 92 to 104 months of remaining amortization periods
- Customer relationships: carrying amount $1.1 million with 56 to 80 months of remaining amortization periods
- Know-how: carrying amount $0.2 million with 32 months of remaining amortization period

The Company's goodwill is assigned to the following cash generating units ("CGU's") as at June 30, 2022:

In Thousands of United States dollars	Pharmaceuticals and nutraceuticals	Vessel	JustCBD	Total
As at December 31, 2021	$ 379	$ 19,675	$ -	$ 20,054
Acquired through business combinations (Note 8)	-	-	24,612	24,612
Impairment	-	(16,000)	-	(16,000)
As at June 30, 2022	$ 379	$ 3,675	$ 24,612	$ 28,666

10. IMPAIRMENT OF ASSETS

The carrying amounts of the Company's non-financial assets are reviewed for impairment each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. At June 30, 2022, the Company's Vessel CGU had external indicators of impairment primarily due to a 2022 decline in comparable public company share prices which would negatively impact the implied valuation of Vessel. As such, the Company tested the Vessel CGU non-financial assets for impairment as at June 30, 2022. The Vessel CGU was acquired in November 2021 and is part of the Company's consumer products reportable segment.

Vessel's June 30, 2022 carrying value of $28.0 million is comprised primarily of goodwill and identified intangible assets of $28.0 million and other long-lived assets of $1.4 million. The carrying value is reduced by inseparable market participant liabilities associated with the November 2021 acquisition of Vessel which includes $1.4 million of deferred tax liability and $1.2 million of lease liability. The estimated recoverable amount of Vessel at June 30, 2022 was $11.9 million, resulting in impairment of $16.0 million as the carrying value of the CGU's assets exceeds the recoverable amount. The impairment is recorded in goodwill impairment caption on the statement of loss and comprehensive loss.

The recoverable amount is based on fair value less costs of disposal. The fair value was determined based on guideline public companies similar to Vessel considering financial metrics such as historical revenue growth, gross margin and EBITDA profitability and with operations focused on consumer brands and similar sales channels. An enterprise value to latest twelve months revenue multiple of 1.75 was selected based on consideration of the enterprise value to latest twelve months multiples of the guideline companies. The multiple was applied to Vessel's revenue for the twelve months ended June 30, 2022. Estimated costs of disposal of 3% were subtracted to arrive at the recoverable amount. The impairment test valuation is considered a Level 3 method within the IFRS 13 fair value hierarchy.

After the impairment, Vessel's carrying value is equal to its recoverable amount. Any change in the significant assumptions could result in additional impairment of its goodwill and long-lived assets as at June 30, 2022. As a sensitivity assessment to the recoverable amount calculations, reducing the selected revenue multiple by 0.5 from 1.75 above down to 1.25 (approximately 29% decrease) would result in additional goodwill impairment of approximately $3.0 million.

11. LEASES

The Company's leases primarily consist of administrative real estate leases in Colombia and the United States, and the Company's cultivation property in Santander, Colombia. Information regarding the Company's leases is as follows:

Thousands of United States dollars	**Six months ended June 30, 2022**	Six months ended June 30, 2021
Lease expense		
Amortization expense by class of underlying asset		
Office Space	**$ 351**	$ 40
Building	**5**	5
Land	**27**	-
Total amortization expense	**383**	45
Interest on lease liabilities	**83**	14
Short-term and low value assets lease expense	**510**	-
Total lease expense	**$ 976**	$ 59
Other Information		
Additions to right of use assets	**$ 2,053**	$ -
Cash paid for amounts included in the measurement of lease liabilities		
Financing cash flows from leases (interest)	**69**	16
Financing cash flows from leases (principal)	**420**	70
Operating cash flows for short term and low value asset leases	**510**	-
Total cash outflows from leases	**$ 999**	$ 86
Carrying amount of right of use asset by class of underlying asset		
Office Space	**$ 2,492**	$ 231
Building	**1,036**	16
Land	**111**	-
Total carrying amount of right of use assets	**$ 3,639**	$ 247

The maturity analysis of the undiscounted contractual balances of the lease liability is as follows:

Thousands of United States dollars	**As at June 30, 2022**
2023	**$ 1,366**
2024	**1,251**
2025	**447**
2026	**440**
2027	**373**
Thereafter	**290**
Total undiscounted cash flows	**$ 4,167**
Less: present value discount	**(606)**
Total lease liabilities	**$ 3,561**

Most of the Company's leases contain renewal options to continue the leases for another term equivalent to the original term, which are generally up to two years. The lease liabilities above include renewal terms that management has executed or is reasonably certain of renewing, which only included leases that would have expired in 2022. The Company's land lease for 361 hectares of property in Santander, Colombia expires August 31, 2024 and is recorded as a right of use asset in property, plant and equipment. There is an option to extend the lease for an additional five years, unless either the Company or lessor provide notice to terminate the lease at the end of the original term with six months' notice.

12. CAPITAL STOCK

Authorized and issued

The Company has an unlimited number of common shares, no par value, authorized.

The Company had the following significant common share transactions:

Six months ended June 30, 2022

FEBRUARY 2022 PAYMENT TO JUSTCBD OWNERS
As discussed in Note 8, the Company issued 9,500,000 common shares of the Company valued at $14.7 million, inclusive of a 15% fair value discount for the required six-month holding period of the shares, to the prior owners of JustCBD as part of the Company's acquisition of JustCBD in February 2022.

ACQUISITION OF NONCONTROLLING INTERESTS
On January 18, 2022, the Company issued 100,000 common shares of the Company valued at $0.2 million to acquire the remaining 10% of the outstanding equity interests in Flora Beauty LLC from its minority shareholders. In addition to the common shares, the Company granted a stock option, exercisable for up to 50,000 common shares of the Company at an exercise price of $1.70 per share that expire five years from the date of the grant.

On January 31, 2022, the Company issued 30,282 common shares of the Company valued at $0.1 million to complete its acquisition of Breeze by acquiring the remaining 10% of the equity interests in Breeze from its minority shareholders.

OTHER OFFERINGS
In January 2022, the Company amended an agreement with a consultant pursuant to which the Company issued 111,112 common shares of the Company valued at $0.2 million and a stock option, exercisable for up to 83,333 common shares of the Company at an exercise price of $2.25 per share that expire five years from the date of the grant.

On April 5, 2022, the Company issued 700,000 common shares of the Company valued at $1.3 million as part of a settlement agreement with Boustead Securities, LLC ("Boustead") to resolve certain disputes arising under a prior underwriting agreement and engagement letter. In addition to the common shares, the Company paid Boustead $0.4 million.

SHARE REPURCHASE
On June 16, 2022, the Company announced that its Board of Directors had approved the repurchase of up to $5 million of its common shares. For the six months ended June 30, 2022, no shares were repurchased.

Any future repurchases will depend on factors such as market conditions, share price and other opportunities to invest capital for growth. From time to time when management does not possess material nonpublic information about the Company or its securities, the Company may enter a pre-defined plan with a broker to allow for the repurchase of shares at times when the Company ordinarily would not be active in the market due to internal trading blackout periods, insider trading rules or otherwise. Any such plans entered with our broker will be adopted in accordance with applicable securities laws such as the requirements of Rule 10b5-1 under the U.S. Securities Exchange Act of 1934, as amended.

13. OPTIONS

In March of 2019, the Company adopted a stock option plan whereby it may grant options for the purchase of common shares to any director, consultant, employee or officer of the Company or its subsidiaries. The aggregate number of shares that may be issuable pursuant to options granted under the Company's stock option plan will not exceed 10% of the common shares of the Company outstanding (the "Shares") at the date of grant. The options are non-transferable and non-assignable and may be granted for a term not exceeding five years. The exercise price of the options will be determined by the Board of Directors of the Company at the time of grant, but if the Shares are traded on any stock exchange (the "Exchange"), the exercise price may not be less than the closing price of the Shares on the Exchange on the trading date immediately preceding the date of grant, subject to all applicable regulatory requirements. Stock option vesting terms are subject to the discretion of the Company's Board of Directors.

Information relating to share options outstanding and exercisable as at June 30, 2022 and December 31, 2021:

	Number of options	Weighted average exercise price
	Thousands	$
Balance, December 31, 2021	5,448	1.96
Granted	**471**	**1.62**
Exercised	**(512)**	**0.15**
Balance, June 30, 2022	**5,407**	**2.09**

Date of expiry	Options outstanding	Options exercisable	Exercise price	Grant date fair value vested	Remaining life in years
	Thousands	Thousands	$	Thousands of Dollars	
June 28, 2024	949	949	0.15	35	2.0
April 23, 2025	117	117	2.25	344	2.8
July 6, 2025	317	317	2.25	252	3.0
July 15, 2025	84	-	2.25	84	3.0
July 31, 2025	17	17	2.25	23	3.1
September 8, 2025	66	66	2.25	92	3.2
November 4, 2025	666	666	2.25	918	3.4
December 23, 2025	500	500	2.25	689	3.5
June 3, 2026	241	241	3.87	686	3.9
June 10, 2026	167	167	3.68	455	3.9
September 21, 2026	16	-	5.20	54	4.2
September 25, 2026	240	-	6.90	1,026	4.2
December 16, 2026	1,640	175	2.04	1,590	4.5
January 17, 2027	50	50	1.70	63	4.6
January 26, 2027	287	217	1.48	296	4.6
May 16, 2027	50	-	1.30	4	4.9
	5,407	3,482	2.09	6,611	3.6

The fair value of stock options issued during the six months ended June 30, 2022 was determined at the time of issuance using the Black-Scholes option pricing model with the following weighted average inputs, assumptions and results:

Risk-free annual interest rate		1.75%
Current stock price	$	1.58
Expected annualized volatility		100%
Expected life (years)		4.65
Expected annual dividend yield		0%
Exercise price	$	1.62

The total expense related to the options granted in the period ended June 30, 2022 was $2.9 million (2021 - $0.1 million). The options issued in 2022 vest one year following the date of grant if the award holder is still employed or engaged by the Company.

No stock options expired or were forfeited in the six months ended June 30, 2022.

14.WARRANTS

The following tables show warrants outstanding as at June 30, 2022:

	Number of warrants	Weighted average exercise price
	Thousands	
Balance, December 31, 2021	**8,746**	**$ 3.37**
Exercised	(473)	0.49
Cancelled/Expired	(885)	3.00
Balance, June 30, 2022	**7,388**	**$ 3.60**

Date of expiry	Warrants outstanding	Exercise price	Grant date fair value	Remaining life in years
	Thousands	$	Thousands of Dollars	
July 23, 2021 - September 20, 2022	1,178	3.00	776	0.12
November 18, 2026	5,750	3.75	8,706	4.39
November 18, 2027	460	3.30	1,055	5.39
	7,388	3.60	10,537	3.77

15. PROVISIONS, COMMITMENTS AND CONTINGENCIES

Provisions
The Company's current known provisions and contingent liabilities consist of termination benefits and legal disputes.

Thousands of United States dollars	Termination benefits	Legal disputes	Sales tax
Balance as at December 31, 2021	$ 352	$ 1,681	$ -
Acquired through business combinations	-	-	982
Payments/settlements	(352)	(1,681)	-
Additional provisions	-	-	407
Balance as at June 30, 2022	$ -	$ -	$ 1,389

The Sales tax provision relates to estimated amounts owed to certain jurisdictions in the Unites States for sales from the Company's JustCBD operations. The opening balance was acquired during the February 24, 2022 acquisition of JustCBD, with additional provision for estimated amounts due on sales subsequent to the acquisition. The ending balance is recorded within trade payables and accrued liabilities with current liabilities on the statement of financial position, and as a reduction of revenue on the statement of loss and comprehensive loss.

The Company records liabilities for legal proceedings in those instances where it can reasonably estimate the amount of the loss and where liability is probable. The Company is engaged from time-to-time in various legal proceedings and claims that have arisen in the ordinary course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Based on information currently known to the Company and after consultation with outside legal counsel, management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company, taken as a whole as at June 30, 2022.

On March 18, 2022, the Company received a letter from a law firm representing an undisclosed group of former pre-acquisition shareholders of VBI (the "VBI Shareholders") seeking to engage in settlement discussions on the basis that the Company was purportedly misleading in its intentions to engage in a capital raising transaction shortly after the completion of the VBI acquisition. We promptly responded in writing and denied the VBI Shareholders presentation of the facts and denied all allegations against the Company. We believe that any potential claims as alleged in the letter are without merit and we intend to defend vigorously against them in connection with any future potential legal proceedings. The VBI Shareholders have not commenced litigation against the Company and it is unknown whether the VBI Shareholders will do so and what their claims may be. The Company believes that an unfavorable settlement in this matter is remote, and, as such, has not accrued a liability as of June 30, 2022.

On June 21, 2022, an action was brought against the Company in the Ontario Superior Court of Justice by Gerardo Andres Garcia Mendez claiming that the Company is obligated to issue 3.0 million (pre-one-for three reverse stock split) common shares to him for a purchase price of $0.05 per share. Mr. Mendez claims he is entitled to such shares as a result of alleged consulting services he performed in 2019. The Company disputes his claims and intends to vigorously defend against this action. The Company believes that an unfavorable settlement in this matter is remote, and, as such, has not accrued a liability as of June 30, 2022.

In connection with the Company's acquisition of JustCBD, the former owners of JustCBD agreed to fully indemnify the Company against any losses which may arise out of certain pre-existing litigation against JustCBD (including all matters disclosed below) as well as litigation which may be brought in the future against JustCBD and pertaining to the period prior to the acquisition. Since these matters are fully indemnified, the Company has not accrued any liability with respect to these claims. As of the date hereof, the following actions are pending against JustCBD:

Erin Gilbert et al. vs. Just CBD LLC, et al., Case No. 062019CA020275AXXXCE. This matter involves allegations that JustCBD sold a defective Just CBD mango Vape Cartridge which is alleged to have caused Plaintiff, Erin Gilbert, to suffer personal injuries. The claims asserted against JustCBD include: (1) strict liability design defect; (2) negligent design; (3) strict liability manufacturing defect; (4) negligent manufacturing; (5) warning defects; and (6) loss of consortium. The same allegations were asserted against seven (7) other defendants, including two (2) manufacturers of the actual vape cartridge. To date, JustCBD has vigorously defended the case and the case is in the discovery phase. Currently, this matter is scheduled for trial to commence on September 19, 2022 but it is likely the trial will be continued pending further discovery.

William Braley vs. Just Brands USA, Inc., Just Brands FL, LLC, and SSGI Financial Services, Inc., Case No. 21-cv-06812, Northern District of Illinois. This matter involves allegations that the Defendants falsely and deceptively marketed cannabidiol infused gummies as not containing Tetrahydrocannabinol ("THC"). Plaintiff asserts he has suffered damages because after ingesting the gummies he failed an employment related drug test. JustCBD disputes these claims. At this time, JustCBD has filed a motion to dismiss the RICO portion of the complaint and answered and asserted affirmative defenses to the Consumer Protection claims.

Management contracts
The Company is party to certain management contracts. As at June 30, 2022, these contracts require payments totaling approximately $2.3 million to be made upon the occurrence of a change in control to the officers of the Company. The Company is also committed to payments to certain individuals upon termination of approximately $1.9 million pursuant to the terms of these contracts. As a triggering event has not taken place, these amounts have not been recorded in these consolidated financial statements.

16. INCOME TAXES

Income tax expense is recognized at an amount determined by multiplying the income (loss) before income taxes for the interim period for each significant jurisdiction by management's best estimate of the annual income tax rate expected for the full fiscal year for each significant jurisdiction.

There was no current or deferred income tax expense recorded for the six months ended June 30, 2022. The Company's effective income tax rate of nil% for the six months ended June 30, 2022 is different than the statutory rate primarily due to the nonrecognition of deferred tax assets related to net operating losses.

17. LOSS PER SHARE

The following securities were not included in the computation of diluted shares outstanding because the effect would be anti-dilutive as the Company has a net loss for each period presented:

Thousands of securities	June 30, 2022	June 30, 2021
Stock options (Note 13)	5,407	4,202
Warrants (Note 14)	7,388	9,295
JustCBD potential additional shares to settle contingent consideration (Note 8)	13,141	-
Total anti-dilutive	25,936	13,497

18. RELATED PARTY DISCLOSURES

Key management personnel compensation

In addition to their contracted fees, directors and officers also participate in the Company's stock option program. Certain executive officers are subject to termination notices of 24 to 36 months and change of control payments (Note 15). Key management personnel compensation is comprised of the following:

Thousands of United States dollars	Six months ended June 30, 2022	Six months ended June 30, 2021
Directors' and officers' compensation	$ 816	$ 736
Share-based payments	197	1,748
	$ 1,013	$ 2,484

The Company defines key management personnel as those persons having authority and responsibility for planning, directing, and controlling the activities of the Company directly or indirectly, and was determined to be executive officers and directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the Board of Directors of the Company having regard to the performance of individuals and market trends.

As at June 30, 2022, $0.0 million of the above directors' and officers' compensation was included in the trade payables and accrued liabilities (December 31, 2021 – $0.1 million). These amounts are unsecured, non-interest bearing and due on demand. The share-based payments amount above for the six months ended June 30, 2021 includes 333,333 common shares to the Chief Executive Officer of the Company, valued at $1.7 million, that were recorded to equity as share issuance costs as payment related to services provided during the Company's initial public offering process.

Related party transactions
During the six months ended June 30, 2022, the Company incurred expenses for consulting, rent and promotion services totaling less than $0.1 million (June 30, 2021 - $0.1 million) from 2227929 Ontario Inc., an entity affiliated with a former director, and expenses for consulting in the amount of $0.3 million (June 30, 2021 - $0.1 million) total from Forbes and Manhattan Inc and 2051580 Ontario Corp., two entities affiliated with a former director. As at June 30, 2022, $0 (December 31, 2021 - $6,000) was owed to 2227929 Ontario Inc., $11,000 (December 31, 2021 - $11,000) was owed to Forbes and Manhattan Inc. and $0 was owed to 2051580 Ontario Corp. These amounts were included in trade payables and accrued liabilities, and are unsecured, non-interest bearing and due on demand. Fred Leigh is a former director of the Company and is also a director and officer of 2227929 Ontario Inc. Stan Bharti is a former director and former Chairman of the Company and is also a director of Forbes and Manhattan Inc.

19. FINANCIAL INSTRUMENTS AND RISK MANAGMENT

Environmental
The Company's growth and development activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Fair value
The Company's financial instruments measured at amortized cost as at June 30, 2022 and December 31, 2021 consist of cash, restricted cash, trade and amounts receivable, loans receivable, trade payables and accrued liabilities, lease liabilities, and debt and loans payable. The amounts reflected in the consolidated statements of financial position approximate fair value due to the short-term maturity of these instruments.

Financial instruments recorded at the reporting date at fair value are classified into one of three levels based upon the fair value hierarchy. Items are categorized based on inputs used to derive fair value based on:

Level 1 - quoted prices that are unadjusted in active markets for identical assets or liabilities
Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset/liability either directly or indirectly; and
Level 3 - inputs for the instruments are not based on any observable market data.

The Company's long-term investments require significant unobservable inputs and as discussed at Note 7, are measured at FVPL and as a Level 3 fair value financial instrument within the fair value hierarchy as at June 30, 2022. As discussed in Note 8, the Company's other long-term liabilities consist of the estimated fair value of contingent purchase consideration from the acquisition of JustCBD in February 2022. The amount is measured at FVPL as a Level 2 fair value financial instrument within the fair value hierarchy as at June 30, 2022. As valuations of the investments and other long-term liabilities for which market quotations are not readily available are inherently uncertain, may fluctuate within short periods of time and are based on estimates, determination of fair value may differ materially from the values that would have resulted if a ready market existed for the investments. Such changes may have a significant impact on the Company's financial condition or operating results.

Risk management overview
The Company has exposure to credit, liquidity and market risks from its use of financial instruments. This note provides information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these condensed interim consolidated financial statements.

Credit risk
Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade and other receivables, loans receivable and cash held with banks and other financial intermediaries.

The carrying amount of the cash, restricted cash, trade and amounts receivables and loan receivable represents the maximum credit exposure as presented in the statement of financial position.

The Company has assessed that there has been no significant increase in credit risk of the loans receivable from initial recognition based on the financial position of the borrowers, and the regulatory and economic environment of the borrowers. As a result, the loss allowance recognized during the period was limited to twelve months expected credit losses. Based on historical information, and adjusted for forward-looking expectations, the Company has assessed an insignificant loss allowance on the loans' receivable and advances as at June 30, 2022 and December 31, 2021.

The Company provides credit to certain customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. Credit risk for customers is assessed on a case-by-case basis and an allowance for specific expected credit losses is recorded where required, in addition to an estimate of lifetime expected credit losses for the portfolio of accounts receivable. See credit risk analysis for trade receivables at Note 3.

The Company held cash and restricted cash of $10.3 million and $37.6 million as at June 30, 2022 and December 31, 2021, respectively, of which, $10.1 million and $37.4 million, respectively, was held with large financial institutions and national central banks. The remaining $0.2 million cash amounts for both periods are held with financial intermediaries in Colombia and the United States. The Company has assessed no significant increase in credit risk from initial recognition based on the availability of funds, and the regulatory and economic environment of the financial intermediary. As a result, the loss allowance recognized during the period was limited to twelve months of expected credit losses. Based on historical information, and adjusted for forward-looking expectations, the Company has assessed an insignificant loss allowance on these cash and restricted cash balances as at June 30, 2022 and December 31, 2021.

Market risk
Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates, and interest rates, will affect the Company's net income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing the Company's returns.

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate due to changes in foreign exchange rates. The Company does not currently use foreign exchange contracts to hedge its exposure to currency rate risk as management has determined that this risk is not significant. As such, the Company's financial position and financial results may be adversely affected by the unfavorable fluctuations in currency exchange rates.

As at June 30, 2022, the Company had the following monetary assets and liabilities denominated in foreign currencies:

	CAD	COP	GBP	EUR	CHF
Thousands of foreign currencies					
Cash	862	1,673,360	22	1,605	-
Amounts receivable	-	12,946,301	174	-	-
Loans receivable	-	-	-	-	250
Trade payables	(152)	(8,285,897)	(23)	(5)	-
Accrued liabilities	(175)	(960,040)	(16)	-	-
Lease liability	-	(2,166,163)	(27)	-	-
Long term debt	-	(40,405)	-	-	-
Net carrying value	535	3,167,156	130	1,600	250

As at December 31, 2021, the Company had the following monetary assets and liabilities denominated in foreign currencies:

	CAD	COP	EUR	CHF
Thousands of foreign currencies				
Cash	1,393	4,451,775	896	-
Amounts receivable	72	15,775,755	-	-
Loans receivable	-	-	-	250
Trade payables	(40)	(5,398,068)	-	-
Accrued liabilities	(589)	(2,120,869)	-	-
Lease liability	-	(1,690,797)	-	-
Long term debt	-	(72,963)	-	-
Net carrying value	836	10,944,833	896	250

Monetary assets and liabilities denominated in Canadian dollars, Colombian pesos, British pounds, Euros and Swiss Francs are subject to foreign currency risk. The Company has estimated that as at June 30, 2022, the effect of a 10% increase or decrease in Canadian dollars, Colombian pesos, British pounds, Euros and Swiss Francs ("CHF") against the Unites States dollar on financial assets and liabilities would result in an increase or decrease of approximately $0.3 million (December 31, 2021 – $0.5 million) to net loss and comprehensive loss.

The Company calculates this sensitivity analysis based on the net financial assets denominated in each currency using the June 30, 2022 exchange rate, then changing the rate by 10%. Management determined 10% is a 'reasonably possible' change in foreign currency rates by considering the approximate change in rates in the prior twelve months.

It is management's opinion that the Company is not subject to significant commodity or interest rate risk.

Management considers concentration risk with counterparties considering the level of purchases and sales of its business segments (Note 21). Several of the Company's business units purchase substantially all their inventory or materials from a single supplier.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial liabilities consist of trade payables and accrued liabilities, loans payable and debt, and lease liabilities as presented on the statement of financial position. The Company had cash and restricted cash as presented on the statement of financial position. The Company has no available credit lines of facilities to draw borrowings from should additional liquidity be needed. The Company's policy is to review liquidity resources and ensure that sufficient funds are available to meet financial obligations as they become due. Further, the Company's management is responsible for ensuring funds exist and are readily accessible to support business opportunities as they arise.

Trade payables and accrued liabilities consist of invoices payable to trade suppliers for administration and professional expenditures. The Company processes invoices within a normal payment period. Trade payables have contractual maturities of less than 90 days. Some suppliers of materials and inventory require full prepayment from the Company prior to providing such goods to the Company. See schedule of future lease commitments at Note 11.

The Company's long-term investments in equity of other entities are not publicly traded and there is not an active market to sell the investments for cash.

Novel Coronavirus ("COVID-19")
The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

20. CAPITAL MANAGEMENT

The Company considers the aggregate of its common shares, options, warrants and borrowings as capital. The Company's capital management objective is to ensure sufficient resources are available to meet day to day operating requirements and to safeguard its ability to continue as a going concern to provide returns for shareholders and benefits for other shareholders.

For the six months ended June 30, 2022, the Company had negative cash from operations and the main source of cash flow was generated from 2021 and prior financing activities. Potential business activities are appropriately evaluated by senior management and a formal review and approval process has been established by the Board of Directors. The Company may enter new financing arrangements to meet its objectives for managing capital until the Company's operating cash flows are sufficient to cover its operational requirements. The Company's capital management objectives were being met in 2022 primarily from the use of existing cash balances from 2021 and prior issuances of common shares and warrants and generating increasing revenue in 2022 from the Company's reportable segments as presented in Note 21.

The Company's officers and senior management take full responsibility for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

The Company is not subject to any external capital requirements. As discussed in Note 12, on June 16, 2022, the Company announced that it plans to repurchase up to $5 million of its common shares.

21. SEGMENTED INFORMATION

The Company is engaged in the growth, cultivation, and development of medicinal cannabis and medicinal cannabis derivative products through its Colombia Cosechemos subsidiary. The Company's other businesses are run through its other Colombia and United States subsidiaries. Management has defined the reportable segments of the Company based on this internal business unit reporting, which is by major product line, and aggregates similar businesses into the Consumer Products segment below. The Corporate segment reflects balances and expenses that do not directly influence business unit operations and includes the Company's long-term investments. The Corporate segment revenue includes the license of intellectual property.

The following tables show information regarding the Company's segments for the six months ended June 30, 2022 and June 30, 2021. The 2022 segments were updated to reflect the acquisition of JustCBD (Note 8) with High Roller Private Label LLC operations assigned to the Pharmaceuticals and Nutraceuticals segment, and Just Brands LLC assigned to the Consumer Products segment.

Thousands of United States dollars	Cannabis growth and derivative production	Consumer products	Pharmaceuticals and nutraceuticals	Beverage and food	Corporate and Eliminations	Total
For the six months ended June 30, 2022						
Revenue	$ 3	$ 13,603	$ 3,708	$ 252	$ (2,649)	$ 14,917
Gross profit	47	4,304	2,096	99	-	6,546
Net (loss) income	(715)	(19,420)	317	(462)	(12,436)	(32,716)
For the six months ended June 30, 2021						
Revenue	$ -	$ 286	$ 1,629	$ 310	$ (107)	$ 2,118
Gross profit	-	173	752	87	-	1,012
Net (loss) income	(428)	(857)	50	(64)	(3,839)	(5,138)

Geographical information:

Thousands of United States dollars	Colombia	United States	Canada	United Kingdom	Total
Non-current assets at June 30, 2022	**$ 5,320**	**$ 42,351**	**$ 1,533**	**$ 2,708**	**$ 51,912**
Total liabilities at June 30, 2022	**2,732**	**9,290**	**4,496**	**81**	**16,599**
Non-current assets at December 31, 2021	$ 4,042	$ 29,650	$ 3,844	$ -	$ 37,536
Total liabilities at December 31, 2021	2,359	3,106	3,073	-	8,538
Six months ended June 30, 2022					
Net revenue	**$ 1,631**	**$ 12,887**	**$ -**	**$ 399**	**$ 14,917**
Gross profit	**999**	**5,471**	**-**	**76**	**6,546**
Six Months Ended June 30, 2021					
Net revenue	**$** 2,069	$ 49	$ -	$ -	$ 2,118
Gross profit	1,009	3	-	-	1,012

In 2022, the Company did not have sales to a single customer exceeding 10% of its consolidated revenue.

22. SUBSEQUENT EVENTS

OTHER

Subsequent to June 30, 2022, a total of 266 warrants were exercised in exchange 266 common shares and a total of 798,602 warrants expired. Since June 30, 2022, the Company repurchased 366,645 of its common shares under its previously announced share repurchase plan for $250,000.

On July 5, 2022, the Company's shareholders approved the 2022 Flora Growth Incentive Compensation Plan. Pursuant to this plan, the Company has reserved 6 million of its common shares for potential issuance to officers, directors, employees and consultants of the Company. Effective July 5, 2022, no further stock options may be issued under the Company's 2019 stock option plan.

Flora Growth Corp.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021, 2020 and 2019

(Expressed in United States Dollars)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
Flora Growth Corp.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Flora Growth Corp. (the "Company"), as of December 31, 2021 and 2020, and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years ended December 31, 2021, December 31, 2020, and the period from incorporation (March 13, 2019) to December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years ended December 31, 2021, December 31, 2020, and the period from incorporation (March 13, 2019) to December 31, 2019 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatements of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2020.

/s/ DAVIDSON & COMPANY LLP

Vancouver, Canada — Chartered Professional Accountants

May 9, 2022

A member of Nexia International

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Flora Growth Corp.
Consolidated Statements of Financial Position
(in thousands of United States dollars)

As at:	December 31, 2021	December 31, 2020
ASSETS		
Current		
Cash	**$ 37,614**	$ 15,523
Restricted cash	**2**	-
Trade and amounts receivable (Note 5)	**5,324**	922
Loans receivable and advances (Note 6)	**273**	302
Prepaid expenses	**1,700**	347
Biological assets (Note 7)	**37**	-
Inventory (Note 8)	**2,993**	540
Total current assets	**47,943**	17,634
Non-current		
Property, plant and equipment (Note 9)	**3,750**	411
Right of use assets (Note 15)	**1,229**	318
Intangible assets (Note 12)	**9,736**	658
Goodwill (Note 12)	**20,054**	431
Investments (Note 10)	**2,670**	-
Other Assets	**97**	-
Total assets	**$ 85,479**	$ 19,452
LIABILITIES		
Current		
Trade payables and accrued liabilities	**$ 5,628**	$ 1,809
Amounts payable to vendors on business combinations	**-**	605
Current portion of long term debt (Note 14)	**18**	251
Current portion of lease liability (Note 15)	**412**	78
Other accrued liabilities	**61**	-
Total current liabilities	**6,119**	2,743
Non-current		
Non-current debt (Note 14)	**-**	69
Non-current lease liability (Note 15)	**908**	251
Deferred tax (Note 21)	**1,511**	139
Total liabilities	**8,538**	**3,202**
SHAREHOLDERS' EQUITY		
Share capital (Note 16)	**102,428**	27,254
Options (Note 17)	**3,712**	2,396
Warrants (Note 18)	**10,670**	3,961
Accumulated other comprehensive (loss) income	**(1,108)**	39
Deficit	**(38,536)**	(17,287)
Non-controlling interest	**(225)**	(113)
Total shareholders' equity	**76,941**	16,250
Total liabilities and shareholders' equity	**$ 85,479**	$ 19,452

Nature of operations (Note 1); Provisions, commitments and contingencies (Note 20); Subsequent events (Note 26)

The accompanying notes are an integral part of these consolidated financial statements.

Flora Growth Corp.
Consolidated Statements of Loss and Comprehensive Loss
(in thousands of United States dollars, except per share amounts which are in thousands of shares)

	For the year ended December 31, 2021	For the year ended December 31, 2020	For the period from incorporation (March 13, 2019) to December 31, 2019
Revenue (Note 25)	$ 8,980	$ 106	$ -
Cost of sales	6,627	35	-
Gross profit before gain on fair value of biological assets	2,353	71	-
Unrealized gain on changes in fair value of biological assets (Note 7)	72	-	-
Gross Profit	2,425	71	-
Operating Expenses			
Consulting and management fees	7,324	4,752	2,001
Professional fees	4,269	794	183
General and administrative	4,507	1,400	175
Travel expenses	603	428	306
Share based compensation (Note 17)	1,340	4,901	107
Research and development	132	78	21
Depreciation and amortization (Notes 9 and 12)	765	113	26
Bad debt expense (Note 5)	1,335	-	-
Goodwill impairment (Notes 12 and 13)	51	1,816	-
Other expenses (income), net	1,050	73	-
Total operating expenses	21,376	14,355	2,819
Operating Loss	(18,951)	(14,284)	(2,819)
Interest expense	84	30	19
Foreign exchange loss	79	20	6
Unrealized loss on fair value of investments (Note 10)	2,345	-	-
Net loss before income taxes	(21,459)	(14,334)	(2,844)
Income tax benefit (Note 21)	98	-	-
Net loss for the period	**$ (21,361)**	**$ (14,334)**	**$ (2,844)**
Other comprehensive loss			
Exchange differences on foreign operations	$ (1,147)	$ 16	$ 23
Total comprehensive loss for the period	**$ (22,508)**	**$ (14,318)**	**$ (2,821)**
Net loss attributable to:			
Flora Growth Corp.	$ (21,249)	$ (14,170)	$ (2,824)
Non-controlling interests	(112)	(164)	(20)
Comprehensive loss attributable to:			
Flora Growth Corp.	$ (22,396)	$ (14,154)	$ (2,801)
Non-controlling interests	(112)	(164)	(20)
Basic and diluted loss per share attributable to Flora Growth Corp.	$ (0.48)	$ (0.47)	$ (0.19)
Weighted average number of common shares outstanding - basic and diluted (Note 22)	**43,954**	**29,901**	**14,892**

The accompanying notes are an integral part of these consolidated financial statements.

Flora Growth Corp.
Consolidated Statement of Shareholders' Equity (Deficiency)
(in thousands of United States dollars, except for share amounts which are in thousands of shares)

	Common Shares		Options	Warrants	Accumulated other comprehensive (loss) income	Accumulated Deficit	Non-Controlling interest (Deficiency)	Shareholders' Equity (Deficiency)
	#	$	$	$	$	$		$
Balance, March 13, 2019	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Common shares issued (Note 16)	23,331	1,400	-	-	-	-	-	1,400
Options issued (Note 17)	-	-	86	-	-	-	-	86
Warrants issued (Note 18)	-	-	-	21	-	-	-	21
Common shares issued for business combinations	-	-	-	-	-	-	9	9
Other comprehensive loss – exchange differences on foreign operations	-	-	-	-	23	-	-	23
Net loss attributable to Flora	-	-	-	-	-	(2,824)	(20)	(2,844)
Balance, December 31, 2019	23,331	1,400	86	21	23	(2,824)	(11)	(1,305)
Regulation A offering (Note 16)	13,333	25,605	-	4,395	-	-	-	30,000
Share issuance costs (Note 16)	-	(2,652)	-	(455)	-	-	-	(3,107)
Common shares issued for services (Note 16)	1,333	2,560	-	-	-	-	-	2,560
Common shares issued for business combinations (Note 16)	158	304	-	-	-	(317)	62	49
Options exercised (Note 17)	200	37	(7)	-	-	-	-	30
Options issued (Note 17)	-	-	2,341	-	-	-	-	2,341
Options expired (Note 17)	-	-	(24)	-	-	24	-	-
Other comprehensive loss – exchange differences on foreign operations	-	-	-	-	16	-	-	16
Current year net loss attributable to Flora	-	-	-	-	-	(14,170)	(164)	(14,334)
Balance, December 31, 2020	38,355	27,254	2,396	3,961	39	(17,287)	(113)	16,250
November unit offering (Notes 16 and 18)	11,500	25,794	-	8,706	-	-	-	34,500
November unit offering issuance costs (Notes 16 and 18)	-	(3,720)	-	1,055	-	-	-	(2,665)
Initial public offering (Note 16)	3,333	16,667	-	-	-	-	-	16,667
Initial public offering issuance costs (Notes 16 and 18)	333	(3,145)	-	1,320	-	-	-	(1,825)
Regulation A and other offerings (Note 16)	55	157	-	-	-	-	-	157
Common shares issued for business combinations (Note 16)	4,557	20,654	-	-	-	-	-	20,654
Common shares issued for investments (Note 10)	225	2,507	-	-	-	-	-	2,507
Options issued (Note 17)	-	-	1,340	-	-	-	-	1,340
Options exercised (Note 17)	650	121	(24)	-	-	-	-	97
Warrants exercised (Note 18)	6,509	17,422	-	(4,069)	-	-	-	13,353
Warrants expired/cancelled (Note 18)	-	303	-	(303)	-	-	-	-
Other equity issuance costs (Note 18)	-	(1,586)	-	-	-	-	-	(1,586)
Other comprehensive loss – exchange differences on foreign operations	-	-	-	-	(1,147)	-	-	(1,147)
Current year net loss attributable to Flora	-	-	-	-	-	(21,249)	(112)	(21,361)
Balance, December 31, 2021	65,517	$ 102,248	$ 3,712	$ 10,670	$ (1,108)	$ (38,536)	$ (225)	$ 76,941

The accompanying notes are an integral part of these consolidated financial statements.

Flora Growth Corp.
Consolidated Statement of Cash Flows
(in thousands of United States dollars)

	For the year ended December 31, 2021	For the year ended December 31, 2020	For the period from incorporation (March 13, 2019) to December 31, 2019
Cash flows from operating activities:			
Net loss	$ (21,361)	$ (14,334)	$ (2,844)
Adjustments to net loss:			
Depreciation and amortization	765	113	26
Stock-based compensation	1,340	4,901	1,507
Impairments	51	1,816	-
Changes in fair value of investments and biological assets	2,273	-	-
Bad debt expense	1,335	-	-
Interest expense	84	(41)	20
Income tax expense	(98)	-	-
Income tax (paid) received	-	-	-
	(15,611)	(7,545)	(1,291)
Net change in non-cash working capital:			
Trade and other receivables	(5,688)	(472)	(19)
Inventory	(1,141)	(55)	-
Prepaid expenses and other assets	(1,255)	(26)	(170)
Trade payables and accrued liabilities	3,047	(323)	1,026
Net cash used in operating activities	**(20,648)**	**(8,421)**	**(454)**
Cash flows from financing activities:			
Common shares issued	42,617	30,000	-
Warrants issued	8,706	-	-
Equity issue costs	(5,475)	(3,107)	-
Exercise of warrants and options	12,851	30	-
Repayments of lease liability	(213)	(64)	(5)
Loans received	-	6	1,010
Interest paid	(78)	(33)	-
Loan repayments	(302)	(1,016)	-
Net cash provided by financing activities	**58,106**	**25,816**	**1,005**
Cash flows from investing activities:			
Loans provided	(273)	(2,200)	(390)
Loan repayments received	302	1,000	-
Purchases of property, plant and equipment and intangible assets	(3,983)	(234)	(140)
Purchase of investments	(2,509)	-	-
Business and asset acquisitions, net of cash acquired	(8,087)	(730)	99
Net cash used in investing activities	**(14,550)**	**(2,164)**	**(431)**
Effect of exchange rate on changes on cash	(817)	152	20
Change in cash during the period	**22,091**	**15,383**	**140**
Cash and cash equivalents at beginning of period	15,523	140	-
Cash and cash equivalents at end of period	$ 37,614	$ 15,523	$ 140
Supplemental disclosure of non-cash activities			
Common shares issued for business combinations (Note 11)	$ 20,654	$ 304	$ -
Common shares issued to purchase investments (Note 10)	$ 2,507	$ -	$ -

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Flora Growth Corp. (the "Company" or "Flora") was incorporated under the laws of the Province of Ontario, Canada on March 13, 2019. The Company is an all-outdoor cultivator and manufacturer of global cannabis products and brands, building a connected, design-led collective of plant-based wellness and lifestyle brands. The Company's registered office is located at 365 Bay Street, Suite 800, Toronto, Ontario, M5H 2V1, Canada and our principal place of business in the United States is located at 3406 SW 26th Terrace, Suite C-1, Fort Lauderdale, Florida 3312.

These consolidated financial statements have been prepared on a going concern basis, meaning that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations.

Presentation of comparative financial statements

The presentation of reportable segments was changed in the year ended December 31, 2021 to align with internal management reporting and aggregation of similar operating segments as permitted by IFRS 8. The same change was made for the years ended December 31, 2020 and 2019 in these consolidated financial statements for consistent presentation.

On April 30, 2021, the Company consolidated its issued and outstanding common shares based on one new common share of the Company for every three existing common shares of the Company. All common shares and per share amounts have been restated to give retroactive effect to the share consolidation.

2. BASIS OF PRESENTATION

Statement of compliance
These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretation of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies set out below have been consistently applied to all periods presented unless otherwise noted.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 8, 2022.

Basis of consolidation
These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions were eliminated on consolidation. Subsidiaries are entities the Company controls when it is exposed, or has rights, to variable returns from its involvement in the entity and can affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are included in the consolidated financial results of the Company from the date of acquisition up to the date of disposition or loss of control. As at December 31, 2021, the Company had the following subsidiaries:

Subsidiaries	Country of incorporation	Ownership	Functional currency
Cosechemos YA S.A.S.	Colombia	90%	Colombia Peso (COP)
Flora Growth Corp. Sucursal Colombia	Colombia	100%	Colombia Peso (COP)
Hemp Textiles & Co. LLC	United States	100%	United States Dollar (USD)
Hemp Textiles & Co. S.A.S.	Colombia	100%	Colombia Peso (COP)
Flora Beauty LLC	United States	87%	United States Dollar (USD)
Flora Beauty LLC Sucursal Colombia	Colombia	100%	Colombia Peso (COP)
Kasa Wholefoods Company S.A.S.	Colombia	90%	Colombia Peso (COP)
Kasa Wholefoods Company LLC	United States	100%	United States Dollar (USD)
Grupo Farmaceutico Cronomed S.A.S.	Colombia	100%	Colombia Peso (COP)
Labcofarm Laboratorios S.A.S.	Colombia	100%	Colombia Peso (COP)
Breeze Laboratory S.A.S.	Colombia	90%	Colombia Peso (COP)
Vessel Brand Inc.	United States	100%	United States Dollar (USD)

Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value and biological assets as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 - Share-based Payment, leasing transactions that are within the scope of IFRS 16 - Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 - Inventories or value in use in IAS 36 - Impairment of Assets.

The consolidated financial statements are presented in United States dollars ("$") unless otherwise noted.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements for the year ended December 31, 2021.

Business combinations
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred. At the acquisition date, the identifiable assets acquired, and the liabilities assumed, are recognized at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the amounts of identifiable assets acquired and liabilities assumed on the acquisition date. If, after assessment, the net of the amounts of identifiable assets acquired and liabilities assumed on the acquisition date exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its fair value on the acquisition date and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for those items for which the accounting is incomplete. The provisional amounts are adjusted during the measurement period, or additional assets or liabilities may be recognized to reflect additional information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Foreign currency translation
The presentation currency and functional currency of the Company is the United States dollar.

Translation into functional currency
Transactions in foreign currencies are recorded in the functional currency at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rates. Non-monetary items are translated at the exchange rates in effect on the date of the transactions. Foreign exchange gains and losses arising on translation are presented in the consolidated statement of loss and comprehensive loss.

Translation into presentation currency
The assets and liabilities of foreign operations are translated into United States dollars at year-end exchange rates. Revenue, expenses, and cash flows of foreign operations are translated into United States dollars using average exchange rates of the reporting period. Exchange differences resulting from translating foreign operations are recognized in other comprehensive income and accumulated in shareholders' equity. The cumulative exchange differences are reclassified to profit or loss upon the disposal of the foreign operation.

Share based compensation
Share based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The Company operates an employee stock option plan. The corresponding amount is recorded to the stock option caption within shareholders' equity, and the expense to the statement of loss over the vesting period. The fair value of options is determined using the Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On exercise of a stock option, any amount related to the initial value of the stock option, along with the proceeds from exercise are recorded to share capital. On expiry of a stock option, any amount related to the initial value of the stock option is recorded to accumulated deficit.

Provisions
Provisions are recognized when (a) the Company has a present obligation (legal or constructive) due to a past event, and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the consolidated statement of loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the statement of loss.

Cash
Cash in the consolidated statement of financial position includes cash on hand and deposits held with banks and other financial intermediaries that have a maturity of less than three months at the date they are acquired.

Financial assets

Initial recognition and measurement
The Company aggregates its financial assets in accordance with IFRS 9, Financial Instruments, into classes at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows. Non-derivative financial assets are classified and measured as "financial assets at fair value", as either fair value through profit or loss ("FVPL"), or fair value through other comprehensive income ("FVOCI"), and "financial assets at amortized cost", as appropriate.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification.

Subsequent measurement – Financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by considering any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. In these consolidated financial statements, cash, trade and other receivables, and loans receivable are classified in this category.

Subsequent measurement – Financial assets at FVPL
Financial assets measured at FVPL include financial assets such as the Company's equity investments in other entities, and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statement of financial position with changes in fair value recognized in a separate caption in the statement of loss.

Subsequent measurement – Financial assets at FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statement of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statement of loss when the right to receive payments is established.

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets
Financial assets classified subsequently as amortized cost are subject to impairment based on the expected credit losses ("ECL's"). The Company's only financial assets subject to impairment are cash, trade and other receivables, and loans receivable, which are measured at amortized cost.

Critical to the determination of ECL's is the definition of default and the definition of a significant increase in credit risk. If nontrade receivables are more than 30 days past due, they are presumed to have increased credit risk and lifetime ECL is applied rather than twelve-month ECL.

The definition of default is used in measuring the amount of ECL's and in the determination of whether the loss allowance is based on a twelve-month or lifetime ECL's. The Company considers the following as constituting an event of default: the borrower is past due more than 90 days on any material credit obligation or the borrower is unlikely to pay its credit obligations to the Company in full after attempting all reasonable efforts to collect or due to discharge from bankruptcy or court judgment. The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on twelve-month ECL's. In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial asset was first recognized.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, less any provisions for impairment. Impairment provisions are estimated using the ECL impairment model where any expected future credit losses are provided for, irrespective of whether a loss event has occurred at the reporting date. Estimates of expected credit losses consider the Company's collection history, deterioration of collection rates during the average credit period, as well as observable changes in and forecasts of future economic conditions that affect default risk. The Company utilizes a provision matrix to estimate lifetime ECL's for trade receivables, supplemented by specific allowance based on customer-specific data. Changes in the allowance are recognized as bad debt expense in the statement of loss and comprehensive loss. When the Company determines that no recovery of the amount owed is possible, the amount is deemed irrecoverable, and the financial asset is written off.

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include trade payables and accrued liabilities, loans payable and long-term debt, which are measured at amortized cost. All financial liabilities are recognized initially at fair value.

Subsequent measurement – Financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by considering any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Subsequent measurement – Financial liabilities at FVPL
Financial liabilities measured at FVPL include any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial liabilities measured at FVPL are carried at fair value in the consolidated statement of financial position with changes in fair value recognized in other income or expense in the consolidated statement of loss. In these consolidated financial statements, trade payables and accrued liabilities, lease liability and loans payable are measured at amortized cost.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires with any associated gain or loss recognized in other income or expense in the consolidated statement of loss.

Biological assets
The Company began cultivating and harvesting cannabis for commercial purposes in 2021. Previously, biological asset accounting did not apply as the plants were only for test purposes and subsequently destroyed. The Company measures biological assets consisting of cannabis plants using the income approach at fair value less costs to sell at the point of harvest, which becomes the basis for the cost of related inventories after harvest. The Company has elected to expense to cost of sales all direct and indirect costs of consumed resources as incurred related to biological assets between the point of initial recognition and the point of harvest. The costs of bearer plants are expensed as incurred as they do not meet the definition of a biological asset and their expected life is less than one year. Unrealized gains or losses arising from changes in fair value less cost to sell during the period are included in the results of operations and presented on a separate line of statement of loss and comprehensive loss of the related period.

Inventories
Inventories are comprised of raw materials, harvested cannabis transferred from biological assets, work in progress, and finished goods. Inventories are initially valued at cost and subsequently at the lower of cost and net realizable value. Inventory cost is determined on a weighted average cost basis and any trade discounts and rebates are deducted from the purchase price. Raw material costs include the purchase cost of the materials, freight-in and duty. Finished goods include the cost of direct materials and labor and a proportion of manufacturing overhead allocated based on normal production capacity.

Net realizable value represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory and contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The impact of changes in inventory reserves is reflected in cost of sales. To the extent that circumstances have changed subsequently such that the net realizable value has increased, previous write-downs are reversed and recognized in net income (loss) in the year during which the reversal occurs.

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Depreciation is provided for on a straight-line basis over the assets' estimated useful lives, which management has determined to be as follows:

Machinery and office equipment	5-10 years
Vehicle	10 years
Building	30 years
Right-of-use assets	Lesser of useful life and remaining term of the lease

The Company assesses an asset's residual value, useful life and depreciation method at each financial year end and adjusts if appropriate. During their construction, property, plant and equipment are not subject to depreciation. The Company capitalizes all costs necessary to get the asset to its intended use, including interest on borrowings when significant. When the asset is available for use, depreciation commences.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized in the consolidated statement of loss of the related year.

Intangible assets
Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which do not exceed the contractual period, if any. The Company's finite-lived intangible assets are amortized as follows:

Patents and developed technology	9 years
Customer relationships	5-10 years
Trademarks and brands	8-10 years
Licenses	5-10 years
Non-compete agreements	3 years

The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Company does not have any intangible assets with indefinite useful lives as at December 31, 2021 or 2020.

Impairment of non-financial assets
The carrying amounts of the Company's non-financial assets are reviewed for impairment as at the consolidated statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount in which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of the recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Share capital
Proceeds from the issuance of common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, stock options and warrants are recognized as a deduction from equity, net of any tax effects. Common shares are considered issued when consideration has been received. The fair value of options and warrants is determined using the Black Scholes model. Warrants attached to units along with common shares are measured with the relative fair value method.

Research expenses
Research expenses are expensed as they are incurred, net of any related investment tax credits, unless the criteria for capitalization of development expenses are met.

Revenue recognition
The Company primarily generates revenue as a manufacturer and reseller of a range of cannabis based and complementary products. See disaggregation of the Company's revenue by products and sales by country in Note 25. In 2021, the Company acquired intellectual property for cannabis education materials and began selling licenses to use the materials for resale to educational institutions.

The Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized:
1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when or as the Company satisfies the performance obligations.

Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer. Gross revenue excludes duties and taxes collected on behalf of third parties. Revenue is presented net of expected price discounts, sales returns, customer rebates and other incentives. The Company's cannabis consumption accessory products include a six month warranty, which the Company accrues for the estimated liability based on historical and expected claim costs.

The Company's contracts with customers for the sales of products consist of one performance obligation. Revenue from product sales is recognized at the point in time when control is transferred to the customer, which is on shipment or delivery, depending on the contract terms. The Company's payment terms generally range from 0 to 30 days from the transfer of control, and sometimes up to six months.

Revenue from the license of intellectual property and other services is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for rendering promised services to a customer. The right to use license of intellectual property is recognized in full when the materials are provided to the customer. Revenue from services provided are recognized when the services are rendered given the nature and short fulfillment time. The Company's payment terms generally range from 0 to 30 days from the invoice date, and sometimes up to six months.

The Company elected as a permitted practical expedient to not adjust the customer contract consideration for significant financing components when the period between the transfer of the Company's goods and services and customer payment is one year or less.

The Company elected as a permitted practical expedient to expense, as incurred, the costs of obtaining a customer contract such as sales commissions and other selling transaction costs when the amortization period of the assets otherwise would be one year or less. Accordingly, the Company has no assets recorded for costs to obtain a customer contract as at December 31, 2021 and 2020 as there are no contracts where the underlying asset would have a life exceeding one year.

Leases
At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use assets are adjusted for impairment losses, if any. The estimated useful lives and recoverable amounts of right-of-use assets are determined on the same basis as those of property, plant and equipment. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's estimated incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value. The Company has elected not to separate non-lease components from lease components for real estate leases.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use are added to the cost of those assets. Such interest costs are capitalized for the time necessary to complete and prepare the asset for its intended use. All other borrowing costs are recognized in earnings within interest expense in the period in which they are incurred. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds and lease liabilities.

Income taxes
Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Loss per share
Basic loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The diluted loss per share calculation excludes any potential conversion of options and warrants that would be anti-dilutive.

Non-controlling interests
Non-controlling interests ("NCI") are recognized either at fair value or at the NCI's proportionate share of the net assets, determined on an acquisition-by-acquisition basis at the date of acquisition. Subsequently, the NCI's share of net loss and comprehensive loss is attributed to the NCI.

Adoption of accounting standards and amendments
On May 28, 2020, the IASB issued COVID-19-Related Rent Concessions, which amended IFRS 16 Leases. The amendment permitted lessees, as a practical expedient, not to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment did not affect lessors. In March 2021, the IASB extended the availability of the practical expedient by one year. The amendments were effective on January 1, 2021 for the Company. The Company elected to apply the practical expedient for its new 2021 leases, and there were no such leases prior in place prior to January 1, 2021.

Accounting pronouncements not yet adopted
Certain new standards, amendments and interpretations, and improvements to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Company. Management anticipates that all the relevant pronouncements will be adopted in the first reporting period following the date of application. Information on new standards, amendments and interpretations, and improvements to existing standards which could potentially impact the Company's financial statements are detailed as follows:

On January 23, 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1), which includes narrow-scope amendments to IAS 1 Presentation of Financial Statements. The objective of the amendments is to clarify how to classify debt and other liabilities as current or non-current depending on the rights that exist at the end of the reporting period. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective on January 1, 2023 and will be applied retrospectively. Management does not expect an impact on the Company's financial statements from these amendments as the Company has immaterial borrowings as at December 31, 2021. Management will continue to assess the impact if additional borrowings occur.

On May 14, 2020, the IASB issued Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16), which prohibits deducting amounts received from selling items produced while preparing the asset for its intended use from the cost of property, plant and equipment. Instead, such sales proceeds and related costs will be recognized in earnings. The amendments are effective on January 1, 2022. Currently, management does not expect a material impact to the Company's financial statements as the Company has no such transactions.

On May 14, 2020, the IASB issued Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective on January 1, 2022. Currently, management does not expect a material impact to the Company's financial statements as the Company has no such transactions.

On May 14, 2020, the IASB issued an amendment to IAS 41 Agriculture as part of Annual Improvements to IFRS Standards 2018–2020. The amendment to IAS 41 removed a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards. The amendments are effective on January 1, 2022. Currently, management does not expect a material impact to the Company's financial statements based on the amounts presented but will continue to assess the impact in 2022.

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8) to help entities distinguish between accounting policies and accounting estimates. The amendments are effective beginning January 1, 2023. The Company has not yet assessed the impact of this amendment.

On February 12, 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. The amendments are effective beginning January 1, 2023. The Company has not yet assessed the impact of the amendments.

On May 7, 2021, the IASB issued Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12), which clarifies that the initial recognition exemption does not apply to transactions in which both deductible and taxable temporary differences will result in the recognition of equal deferred tax assets and liabilities, and that the Company is required to recognize deferred tax on such transactions. The amendments are effective on January 1, 2023. Management is currently assessing, but has not yet determined, the impact on the Company's financial statements.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

4. CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best estimates of the amount, event or actions, actual results could differ from those estimates and these estimates could be material. The areas which require management to make significant judgments, estimates and assumptions include, but are not limited to:

Determination of functional currency
The Company determines the functional currency through an analysis of several indicators. Primary considerations include the currency in which the Company's goods and services are sold and the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services. The Company also considers the currency in which funds from financing debt and equity activities are generated and the currency in which receipts from operating activities are retained. Management judgment is applied when there are indicators supporting more than one currency for a Company subsidiary.

Expected credit losses on financial assets
Determining an allowance for expected credit losses for all financial asset receivables not held at fair value through profit or loss requires judgment. Management considers historical and expected future patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest. These conditions are applied across each of the Company's business units to the extent the expected risk of loss differ from each other.

Inventory
Inventory is valued at the lower of cost and net realizable value. Determining net realizable value requires the Company to make assumptions about estimated selling prices in the ordinary course of business, the estimated costs of completion and the estimated variable costs to sell. Management judgment is applied to determine potential impairment exposure related to potential excess product inventory levels, obsolescence, and expiration.

Business combinations
In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. Estimates are made as to the fair value of the identifiable assets acquired and the liabilities assumed on the acquisition date, as well as the fair value of consideration paid and contingent consideration payable. In certain circumstances, such as the valuation of property, plant and equipment, intangible assets and goodwill acquired, the Company obtains assistance from third-party valuation specialists. The determination of these fair values involves a variety of judgment in assumptions, include revenue growth rates, expected operating income, discount rates, and earnings multiples.

Estimated useful lives and depreciation of long-lived assets with finite lives
Depreciation and amortization of property, plant and equipment, right-of-use asset and intangible assets with finite lives are dependent upon estimates of useful lives and when the asset is available for use. These are determined through the exercise of judgment and are dependent upon estimates that consider factors such as economic and market conditions, frequency of use, anticipated changes in laws and technological improvements.

Investments
The Company's investments include common shares and warrants to purchase additional common shares of a privately held company. The valuation of the Company's common share investments requires judgments including determining suitable observable benchmarks, market comparables and calibration techniques. The valuation of the investment warrants requires judgment to determine appropriate inputs to the valuation model since the investment is not publicly traded, including the expected life, risk-free interest rates, volatility, and dividend yield.

Determination of CGUs
Management is required to use judgement in determining which assets or group of assets make up appropriate CGUs for the level at which goodwill and other long-lived assets are tested for impairment. Management considers the nature of operations and ability to track asset performance within each of the Company's business units to determine the appropriate level of asset aggregation and allocation, as well as the materiality of the underlying assets within the units.

Impairment of goodwill and long-lived assets
For CGUs to which goodwill and other long-lived assets is allocated is based on the value in use of the CGU, the impairment test is determined in accordance with the expected cash flow approach or another suitable model depending on the asset type. The calculation is based on assumptions including, but not limited to, the cash flow growth rate and the discount rate. Significant management judgment is required when developing these assumptions, which include internal budgets and expectations, as well as consideration of external Company communications and market estimates of the Company's and its industry's future growth.

For CGUs that testing using the fair value less costs of disposal approach, the fair value is determined based on guideline public companies similar to the CGU and considers similar financial metrics, operations and sales channels. The fair value calculation is based on assumptions including the determination of guideline public companies, determining the relevant financial metric to measure the CGU's recoverable value, and selecting the amount of the financial metric from the observable range of guideline public company amounts to apply to the CGU.

Contingencies and provisions
Contingencies are possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within our control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. Management assesses loss contingencies related to legal proceedings, tax or other regulatory actions pending against the Company, as well as unasserted claims that may result in such actions. The Company, its legal counsel and other subject matter advisors evaluate the perceived merits of any legal proceedings or unasserted claims or actions as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a provision or assessing the impact on the carrying value of assets.

Management judgment is required when developing estimates for product warranty liability. The Company considers historical and expected customer warranty claim activity when determining its warranty provision.

Revenue recognition
Management judgment is required to determine when the Company is acting as principal or agent in a sales contract where the Company is an intermediary, which affects whether the amount of revenue recognized is presented on a gross or net basis, respectively. The Company first considers whether it has obtained control over the product when acting as an intermediary before transferring it to the customer, and if the Company combines or transforms the product with other goods and services before transferring the good to the customer. The Company considers secondary factors, including whether the Company is primarily responsible for the fulfillment of the product obligations to the customer, whether the Company has inventory risk (acquiring and/or paying for the product prior to transferring to the customer, Company liability for damages and sales returns), and whether the Company has price discretion when selling the product to its customers. Management considers the terms of the customer and supplier contracts, as well as established business practices for the arrangements.

Management judgment is required to determine the effects on the sales contract transaction price for the potential impacts of sales returns, discounts, rebates, and other customer incentives. The Company considers the terms of the contract, historical experience, as well as actual and expected customer activity after the end of the reporting period.

The Company's primary sale of products requires management judgment to determine at what point in time control passes to the customer to recognize revenue. The Company considers the customer contract terms, logistic supplier terms, local law, and established business practices to make this determination.

Share based payment transactions
The Company measures the cost of equity-settled transactions with employees and applicable non-employees by reference to the fair value of the equity instruments at the date at which they are vested. Estimating fair value for share based payment transactions requires judgment to determine the appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock price, stock option, risk-free interest rates, volatility, and dividend yield. Due to the Company's limited history of publicly traded common shares, the volatility assumption requires additional judgment. The Company considers actual and expected volatility of comparable companies of similar size and industry that have been publicly traded longer than the Company's shares.

Income taxes and recoverability of potential deferred tax assets
In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined considering all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

5. TRADE AND AMOUNTS RECEIVABLE

The Company's trade and amounts receivable are recorded at amortized cost. The trade and other receivables balance as at December 31, 2021 and December 31, 2020 consists of trade accounts receivable, amounts recoverable from the Government of Canada for Harmonized Sales Taxes ("HST") and other receivables.

Thousands of United States dollars	**December 31, 2021**	**December 31, 2020**
Trade accounts receivable	$ 5,565	$ 254
Allowance for expected credit losses	(1,252)	-
HST receivable	259	459
Other receivables	752	209
Total	$ 5,324	$ 922

Changes in the trade accounts receivable allowance in the year ended December 31, 2021 relate to establishing an allowance for expected credit losses. There were no write-offs of trade receivables during the year. The Company has no amounts written-off that are still subject to collection enforcement activity as at December 31, 2021. There was an additional $0.1 million of expected credit losses recorded in other receivables as at December 31, 2021. The Company's aging of trade accounts receivable is as follows:

	December 31, 2021
Thousands of United States dollars	
Current	$ 3,880
1-30 Days	544
31-60 Days	137
61-90 Days	478
91-180 Days	461
180+ Days	65
Total trade receivables	$ 5,565

6. LOANS RECEIVABLE AND ADVANCES

Loans Receivable and advances - 2021

In 2021, the Company loaned Swiss Franc ("CHF") 0.3 million ($0.3 million) to Koch and Gsell, a potential acquisition target of the Company, to provide Koch and Gsell with additional working capital. The loan (i) is secured by a general security agreement, (ii) has an interest rate at LIBOR plus 1.00% per annum and (iii) is payable on the maturity date of August 28, 2021. The loan remains outstanding at December 31, 2021. The acquisition of Koch and Gsell has not occurred.

Loans Receivable and advances - 2020

In 2020, the Company loaned $0.2 million to Sanaty IPS S.A.S. ("Sanaty"), to provide working capital to Sanaty as a potential acquisition target. The loan is unsecured, non-interest bearing and due on demand. The remaining balance of the loan was repaid in 2021, and was $0.2 million as at December 31, 2020. Sanaty is 28% owned indirectly by Medivolve Inc. The loan is a related party transaction of the Company as a former officer of the Company is also an officer of Medivolve Inc. The acquisition of Sanaty has not occurred.

In 2020, the Company provided $0.1 million to Laboratorios Quiprofarma S.A.S. ("Quiprofarma") as prepayment of an asset acquisition that was closed in 2021 (See Note 11). The advance was settled in 2021 with no amount remaining as at December 31, 2021.

The Company's loans receivable and advances have had no twelve-month or lifetime ECL impairments for the years ended December 31, 2021 and 2020. The Company's loans receivable and advances are recorded at amortized cost.

7. BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants throughout the growth cycle including propagation, vegetative and flowering stages. Cannabis plants cease being biological assets upon harvest when the fair value at time of harvest is transferred to harvested cannabis inventory. The Company has no biological assets with title restricted or pledged as collateral, and no significant commitments for development or acquisition of biological assets as at December 31, 2021.

The changes in the carrying value of biological assets are as follows:

Thousands of United States Dollars	**2021**
Opening balance at January 1	$ -
Changes in fair value less cost to sell due to biological transformation	72
Transferred to harvested cannabis inventory upon harvest	(35)
Ending balance at December 31	$ 37

The valuation of biological assets is based on an income approach (Level 3) in which the fair value at the point of harvesting is estimated based on selling prices less the costs to sell. For in-process biological assets (growing plants), the fair value at the point of harvest is adjusted based on the stage of growth at period-end. Harvested cannabis is transferred from biological assets at their fair value at harvest to harvested cannabis within inventory.

Significant inputs and assumptions used in determining the fair value of cannabis plants are as follows as at December 31, 2021:

Average selling price per gram of $0.13 – Represents estimated selling price of dried cannabis end products net of excise taxes, where applicable, for the period for all strains of cannabis, which is expected to approximate future selling prices. Increasing this amount results in an increase in fair value.

Weighted average yield of 24 gram per plant – Represents the weighted average number of grams of dried cannabis inventory expected to be harvested from each cannabis plant. Increasing this amount results in an increase in fair value.

Post-harvest cost per gram to complete production of $0.06 – Based on estimated future production costs incurred divided by estimated grams produced in the period. Increasing this amount results in a decrease in fair value.

Changes in the assumptions above of 10% would not have a significant impact on the fair value of biological assets as at December 31, 2021.

As at December 31, 2021, the weighted average fair value less cost to complete and cost to sell a gram of dried cannabis was $0.06 per gram. The Company's biological assets produced 206 kilograms of dried cannabis in 2021 and the Company expects the biological assets will yield 266 kilograms of cannabis when harvested in 2022. The weighted average stage of growth for the biological assets was 57%.

8. INVENTORY

Inventory is comprised of the following as at December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Thousands of United States dollars		
Raw materials and supplies	$ **899**	$ 182
Harvested cannabis	**35**	-
Work in progress	**97**	-
Finished goods	**1,962**	358
Total	$ **2,993**	$ 540

In the year ended December 31, 2021, $6.3 million of inventory was expensed to cost of sales (2020 – less than $0.1 million and 2019 $nil) and write-downs to cost of sales for impairment was $23,000 (2020 and 2019 - $nil). There were no reversals of previous inventory impairments in the years ended December 31, 2021, 2020 or 2019.

9. PROPERTY, PLANT AND EQUIPMENT

A continuity schedule for the years ended December 31, 2021 and 2020 is as follows:

In Thousands of United States dollars	Construction in progress	Machinery and Office equipment	Buildings	Vehicles	Land	Subtotal	Right of use assets	Total
Cost at January 1, 2020	$ 103	$ 2	$ -	$ 41	$ -	$ 146	$ 306	$ 452
Additions	35	77	-	-	122	234	-	234
Business combinations (Note 11)	-	41	-	-	-	41	85	126
Foreign exchange translation	(2)	10	-	(2)	9	15	(12)	3
Cost as at December 31, 2020	136	130	-	39	131	436	379	815
Additions	852	1,915	1,002	4	-	3,773	732	4,505
Disposals	-	(19)	-	-	-	(19)	-	(19)
Business combinations (Note 11)	-	124	-	-	-	124	501	625
Foreign exchange translation	(83)	(159)	(74)	(6)	(19)	(341)	(80)	(421)
Cost as at December 31, 2021	905	1,991	928	37	112	3,973	1,532	5,505
Accumulated depreciation								
As at January 1, 2020	-	(2)	-	-	-	(2)	(15)	(17)
Depreciation	-	(14)	-	(4)	-	(18)	(42)	(60)
Foreign exchange translation	-	(5)	-	-	-	(5)	(4)	(9)
Accumulated depreciation as at December 31, 2020	-	(21)	-	(4)	-	(25)	(61)	(86)
Depreciation	-	(192)	(47)	(7)	-	(246)	(279)	(525)
Disposals	-	29	(1)	-	-	28	11	39
Foreign exchange translation	-	15	4	1	-	20	26	46
Accumulated depreciation as at December 31, 2021	-	(169)	(44)	(10)	$ -	(223)	(303)	(526)
Carrying value								
As at December 31, 2020	136	109	-	35	131	411	318	729
As at December 31, 2021	**$ 905**	**$ 1,822**	**$ 884**	**$ 27**	**$ 112**	**$ 3,750**	**$ 1,229**	**$ 4,979**

The Company's property, plant and equipment is domiciled in Colombia and the United States.

As at December 31, 2021, the Company's property, plant and equipment have no significant restrictions on title or pledges as security for liabilities, and there are no significant commitments for future purchases.

10. LONG-TERM INVESTMENTS

As at December 31, 2021, the Company's long-term investments consist of common shares and warrants to purchase additional common shares in an early stage European cannabis company. The Company purchased common shares from the investee for Euro 2.0 million ($2.4 million), purchased its first tranche of warrants from existing investors in exchange for 225,000 common shares of the Company, and obtained a second tranche of warrants from the investee as an inducement to exercise some of the first tranche of warrants. As at December 31, 2021, the Company owns approximately 9.6% of the investee, or approximately 9% on a diluted basis including exercisable warrants of the Company and other investors.

The warrants allow the holder to purchase one common share of the investee for CAD 0.30 ($0.23) for the first tranche, and CAD 1.00 ($0.78) for the second tranche. The warrants were immediately exercisable and expire February 1, 2023.

The Company's cost of the investments was recorded based on the fair value of the consideration exchanged as at the respective transaction dates. The investee is not a publicly listed entity and has no active quoted prices for its common shares or warrants. Subsequent remeasurements are recorded as FVPL as indicated on the unrealized investments loss caption on the statement of loss and comprehensive loss. The Company estimated the fair value of the investments as at December 31, 2021 using Level 3 inputs of the fair value hierarchy with the fair value of the investee common shares at $0.57, the first tranche warrants at $0.38, and the second tranche warrants at $0.18.

The investee common shares were valued considering price to book value and price to tangible book value of the investee (3.6 and 4.8, respectively) as well as comparable guideline publicly traded companies at the time of initial investment. These initial investment multiples were compared to the guideline public company multiples observed as at December 31, 2021 (2.8 price to book value and 3.8 price to tangible value), with these updated valuation multiples applied to the investee's estimated book value. The Company also considered the status of the investee's milestones between the purchase date and year-end for indicators of change in value.

The fair value of the warrants was developed using a Black-Scholes model for each tranche with the following assumptions:

	Warrants CAD 0.30 exercise price	Warrants CAD 1.00 exercise price
Share price	$ 0.57	$ 0.57
Exercise price	$ 0.23	$ 0.78
Volatility	100%	100%
Risk-free interest rate	1.0%	1.0%
Dividend yield	0.0%	0.0%
Expected term in years	1.1	1.1
Fair value	$ 0.38	$ 0.18
Quantity owned	1,666,667	333,333
Fair value	$ 625,000	$ 58,000

The share price is based on the calculated value of the investee's common shares as discussed above. The volatility considers actual volatility of comparable guideline public companies.

A schedule of the Company's long-term investments activity is as follows:

Financial asset hierarchy level Thousands of United States dollars	Investee common shares Level 3 $	Warrants CAD 0.30 exercise price Level 3 $	Warrants CAD 1.00 exercise price Level 3 $	Total $
Balance at January 1, 2021	$ -	$ -	$ -	$ -
Purchases	2,430	2,507	-	4,937
Exercise warrants	496	(418)	101	179
Loss on changes in fair value	(939)	(1,464)	(43)	(2,446)
Balance at December 31, 2021	$ 1,987	$ 625	$ 58	$ 2,670

The loss on changes in fair value appear in the unrealized loss on fair value of investments caption in the statement of loss and comprehensive loss.

As a sensitivity assessment to the fair value calculations, a 10% change in the valuation multiples applied to the investee common shares results in a 10% change in the fair value as at December 31, 2021 of $199,000. Applying a 10% change in share price to the warrants results in an approximately $98,000 change in fair value, and a 10% change in volatility of approximately $23,000.

11. ASSET ACQUISITIONS AND BUSINESS COMBINATIONS

Vessel Brand, Inc. ("Vessel") business combination

On November 12, 2021, the Company acquired 100% of the equity interests in Vessel for total purchase consideration of $28.7 million. Vessel designs and sells premium cannabis consumption accessories in the United States through Vessel's direct to consumer website and wholesale to distributors. Vessel is based in California in the United States and was formed in 2018. The purchase consideration was comprised of $8.0 million and 4,557,000 common shares of the Company valued at $20.7 million based on the closing share price of the Company's common shares less a 15% fair value discount for the required six-month holding period of 3.6 million of the Company's shares issued. The Company acquired Vessel to expand its product offerings, accelerate its revenue growth, expand its footprint in the United States and for the acquisition of human capital through Vessel's management team.

The preliminary amounts recognized as at the acquisition date for each major class of assets acquired and liabilities assumed are as follows:

(Thousands of United States dollars)	
Current assets	
Cash	$ 570
Trade receivables	49
Inventory	1,278
Other current assets	151
Non-current assets	
Property, plant and equipment	124
Right of use assets	501
Other long-term assets	42
Intangible assets	9,150
Goodwill	19,675
Total assets	$ 31,540
Current liabilities	
Trade payables and accrued liabilities	$ (856)
Deferred tax	(1,500)
Non-current lease liability	(530)
Total liabilities	$ (2,886)
Total net assets acquired	**$ 28,654**

The fair value of the trade receivables approximates the gross contractual amounts and the Company expects to fully collect the balance. Since the acquisition date through December 31, 2021, Vessel revenue was $1.1 million with net loss and comprehensive loss of $0.3 million.

The intangible assets of $9.2 million are comprised of the following categories and estimated useful lives: tradename of $2.1 million for eight years, patents and developed technology of $4.3 million for nine years, noncompete agreement of $1.2 million for three years, and customer relationships of $1.6 million for ten years. The Company does not expect the goodwill and intangible asset values to be deductible for Unites States income tax purposes.

If Vessel was acquired at January 1, 2021, the combined revenue and net loss of Vessel and the Company would have been approximately $15.5 million and $22.9 million, respectively.

Quipropharma asset acquisition

On January 12, 2021, the Company acquired certain laboratory assets from Quipropharma for COP 1.2 billion ($0.4 million) and real estate assets for COP 3.9 billion ($1.1 million). These purchases did not meet the definition of a business combination under IFRS 3 and was therefore recorded as an asset acquisition. The asset acquisition was recorded at 100% of the fair value of the net assets acquired, with the consideration paid entirely assigned to property and equipment of $1.5 million.

Grupo Farmaceutico Cronomed S.A.S. ("Cronomed") business combination

On December 18, 2020, the Company acquired 100% of Cronomed, pursuant to a share purchase agreement (the "Cronomed Purchase Agreement") with certain third-party individuals (the "Cronomed Vendors"). As consideration the Company agreed to pay COP 3.5 billion ($ 1.0 million) in cash. As at December 31, 2020, $0.2 million remained payable to the Cronomed Vendors and was included in trade payables and accrued liabilities on the consolidated statement of financial position. The amount was fully paid in 2021. In addition, Flora previously paid fees related to the acquisition of $0.1 million.

Cronomed is focused on the commercialization and distribution of pharmaceutical and over-the-counter products, including dietary supplements and nutraceutical products, supplements, and related products to large channel distributors, including pharmacies, medical clinics, and cosmetic companies. Cronomed's 100% owned subsidiary, Labcofarm Laboratorios S.A.S. ("Labcofarm") was incorporated on November 20, 2012, under the laws of Colombia. Labcofarm's operations include importing raw materials and other products needed to produce its products.

This acquisition was accounted for as a business combination under IFRS 3, with the Company as the acquirer and Cronomed as the acquiree. The business combination was recorded at 100% of the fair value of the net assets acquired. The purpose of the acquisition was to create future synergies in the Company's cannabis business.

The allocation of the consideration to the fair value of 100% of the net assets acquired at the date of acquisition is as follows:

(thousands of United States dollars)	
Current assets	$ 563
Property and equipment	9
Right of use asset	85
Intangible asset	311
Goodwill	728
Trade and other payables	(300)
Long term debt	(186)
Amounts payable to Flora Growth Corp. consolidated group	(30)
Lease liability	(92)
Deferred income tax	(96)
Total consideration paid	$ 992

Goodwill represents expected synergies, future income and growth potential, and other intangibles that do not qualify for separate recognition. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

For the year ended December 31, 2020, prior to being acquired, Cronomed generated COP 3.8 billion ($1.1 million) in revenue, and COP 20.3 million ($6,000) in net income. If the acquisition had been completed on January 1, 2020, the Company estimates it would have had revenue of $1.2 million and incurred a comprehensive loss of $14.3 million for the year ended December 31, 2020.

Acquisition of Kasa Wholefoods Company S.A.S. ("Kasa")

On December 29, 2020, the Company acquired 90% of Kasa Wholefoods Company SAS Colombia ("Kasa") pursuant to a share purchase agreement (the "Kasa Purchase Agreement") with the "Kasa Vendors". As consideration, the Company agreed to pay approximately $ 0.1 million in cash and discharged certain liabilities of the Kasa Vendors in the amount of $ 0.1 million, for aggregate consideration of $0.2 million. As at December 31, 2020, $0.2 million remained payable to the Kasa Vendors and was included in trade payables and accrued liabilities on the consolidated statement of financial position. The amount was fully paid in 2021.

Kasa is incorporated in Colombia and designs, produces and supplies natural, no additive-added, no sugar-added juices, chocolate, and related food products to large channel distributors, including wholesale distributors, pharmacies, supermarkets and online distributors. Kasa's business operations are primarily in Colombia. Kasa's 100% owned subsidiary, Kasa Wholefoods Company LLC, was incorporated on April 1, 2020 under the laws of Florida in the United States. Kasa was acquired to gain access to research and development efforts on a water-soluble cannabinoid solution to infuse cannabinoids into its products.

This acquisition was accounted for as a business combination under IFRS 3, with the Company as the acquirer, and Kasa as the acquiree. The business combination was recorded at 100% of the fair value of the net assets acquired with 10% attributable to the non-controlling interest.

The allocation of the consideration to the fair value of 100% of the net assets acquired at the date of acquisition is as follows:

(thousands of United States dollars)	
Current assets	$ 331
Property and equipment	9
Intangible asset	48
Goodwill	834
Trade and other payables	(246)
Long term debt	(107)
Amounts payable to Flora Growth Corp. consolidated group	(591)
Deferred income tax	(15)
Non-controlling interest	(27)
Total consideration paid	$ 236

Goodwill represents expected synergies, future income and growth potential, and other intangibles that do not qualify for separate recognition. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

For the year ended December 31, 2020, prior to being acquired, Kasa generated COP 562.7 million ($0.2 million) in revenue and COP 1.3 million ($0.4 million) in net loss. If the acquisition had been completed on January 1, 2020, the Company estimates it would have had revenue of $0.3 million and comprehensive loss of $14.7 million for the year ended December 31, 2020.

Acquisition of Breeze Laboratory S.A.S. ("Breeze")

On December 29, 2020, the Company acquired 90% of Breeze, pursuant to a share purchase agreement (the "Breeze Purchase Agreement") with certain third-party individuals, the "Breeze Vendors". As consideration, the Company agreed to pay approximately $ 0.1 million in cash and discharged certain liabilities of the Breeze Vendors in the amount of $ 0.1 million for aggregate consideration of $0.2 million. As at December 31, 2020, $0.2 million remained payable to the Breeze Vendors and was included in trade payables and accrued liabilities on the consolidated statement of financial position. The amount was fully paid in 2021.

Pursuant to the Breeze Purchase Agreement, if the Company elects to merge Breeze and Cronomed, the Company is required to issue that number of shares of the combined entity to the Breeze Vendors such that, collectively, the Breeze Vendors would own a 5% equity interest in the combined entity. In the event that the Company elects not to merge Breeze and Cronomed, and instead sells such shares to an arm's length third party, at the Breeze Vendors' sole option, the Company has agreed to (a) pay to the Breeze Vendors COP 700.0 million ($0.2 million); (b) pay to the Breeze Vendors 5% of the proceeds from the sale of such shares to the third party; or (c) transfer 10% of such shares to the Breeze Vendors with eight business days' notice of any such decision. These provisions were assessed as being contingent consideration, with $nil value as the Company does not intend to merge Breeze and Cronomed or sell Breeze to an arm's length third party.

Breeze focuses on the design, development and manufacturing of dermo-cosmetic products to respond to the needs of consumers, health specialists, patients and therapists. Breeze also manufactures magistral formulations in Colombia, which are custom formulations prescribed by physicians according to the individual needs and symptoms of patients and prepared as prescribed by a certified pharmaceutical establishment using cannabis derivatives.

This acquisition was accounted for as a business combination under IFRS 3, with the Company as the acquirer and Breeze as the acquiree. The business combination was recorded at 100% of the fair value of the net assets acquired with 10% attributable to the non-controlling interest. The purpose of the acquisition was to create future synergies in the Company's cannabis business.

The allocation of the consideration to the fair value of 100% of the net assets acquired at the date of acquisition is as follows:

(thousands of United States dollars)	**$**
Current assets	$ 214
Property and equipment	23
Intangible asset	89
Goodwill	685
Trade and other payables	(430)
Long term debt	(27)
Amounts payable to Flora Growth Corp. consolidated group	(297)
Deferred income tax	(28)
Non-controlling interest	(23)
Total consideration paid	$ 206

Goodwill represents expected synergies, future income and growth potential, and other intangibles that do not qualify for separate recognition. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

For the year ended December 31, 2020, prior to being acquired, Breeze generated COP 1.9 billion ($0.5 million) in revenue and COP 359.0 million ($0.1 million) in net income. If the acquisition had been completed on January 1, 2020, the Company estimates it would have had revenue of $0.6 million and incurred a comprehensive loss of $14.2 million for the year ended December 31, 2020.

Acquisition of Minority interests

On December 29, 2020, the Company was assigned (i) a 10% membership interest in Flora Beauty LLC (5% owned by Andrés Restrepo and 5% owned by Luis Merchan); (ii) a 10% membership interest in Hemp Textiles & Co LLC owned by Luis Merchan; and (iii) a 20% membership interest in Hemp Textiles SAS (5% owned by Santiago Mora Bahamón, 5% owned by Luis Merchan and 10% owned by Nicolás Vásquez). As consideration for the assignment of such membership interests, the Company granted 63,333 common shares to Mr. Restrepo; 63,333 common shares to Mr. Vazquez; 31,666 common shares to Mr. Bahamón; and paid $0.3 million to Mr. Merchan, who was appointed as the President and Chief Executive Officer of the Company by its Board of Directors on December 16, 2020. As such, these assignments were considered related party transactions.

12. INTANGIBLE ASSETS AND GOODWILL

A continuity of intangible assets for the years ended December 31, 2021 and 2020 is as follows:

In Thousands of United States dollars	License	Customer Relationships	Trademarks and Brands	Goodwill	Total
Cost					
At January 1, 2020	$ 272	$ -	$ -	$ -	$ 272
Acquired through business combinations (Note 11)	138	189	121	2,247	2,695
Impairment	-	-	-	(1,816)	(1,816)
At December 31, 2020	$ 410	$ 189	$ 121	$ 431	$ 1,151
Accumulated Amortization					
At January 1, 2020	$ 11	$ -	$ -	$ -	$ 11
Additions	53	-	-	-	53
At December 31, 2020	$ 64	$ -	$ -	$ -	$ 64
Foreign Currency translation	2	-	-	-	2
Net book value at December 31, 2020	**$ 348**	**$ 189**	**$ 121**	**$ 431**	**$ 1,089**

Thousands of United States dollars	License	Customer Relationships	Trademarks and Brands	Patents	Non-Compete Agreements	Goodwill	Total
Cost							
At January 1, 2021	$ 410	$ 189	$ 121	$ -	$ -	431	$ 1,151
Additions	200	-	-	-	-	-	200
Acquired through business combinations (Note 11)	-	1,570	2,090	4,300	1,190	19,675	28,825
Impairment	-	-	-	-	-	(51)	(51)
At December 31, 2021	$ 610	$ 1,759	$ 2,211	$ 4,300	$ 1,190	$ 20,054	$ 30,124
Accumulated Amortization							
At January 1, 2021	$ 64	$ -	$ -	$ -	$ -	$ -	$ 64
Additions	65	26	35	48	66	-	240
At December 31, 2021	$ 129	$ 26	$ 35	$ 48	$ 66	$ -	$ 304
Foreign Currency translation	(30)	-	-	-	-	-	(30)
Net book value at December 31, 2021	**$ 451**	**$ 1,733**	**$ 2,176**	**$ 4,252**	**$ 1,124**	**$ 20,054**	**$ 29,790**

The Company's intangible assets acquired in 2020 consist of customer relationships, tradenames/brands and licenses and certifications for formulations due to the acquisitions of Kasa, Breeze and Cronomed.

The Company's intangible asset additions in 2021 primarily consist of assets acquired as part of the November 2021 purchase of Vessel (Note 11) and intellectual property for cannabis industry education materials purchased from a third party categorized under licenses. The 2021 additions to license are being amortized over its estimated useful life of 36 months, with 35 months remaining as at December 31, 2021. Information regarding the significant Vessel intangible assets within the indicated categories of the table above is as follows as at December 31, 2021:

- Tradenames and brands: carrying amount $2.1 million with 94 months of remaining amortization period
- Patents and developed technology: carrying amount $4.3 million with 106 months of remaining amortization period
- Noncompete agreement: carrying amount $1.1 million with 34 months of remaining amortization period
- Customer relationships: carrying amount $1.5 million with 118 month of remaining amortization period

The Company's goodwill is assigned to the following CGU's for the years ended December 31, 2020 and 2021:

In Thousands of United States dollars	Pharmaceuticals and nutraceuticals	Food and beverage	Vessel	Total
As at January 1, 2020	$ -	$ -	$ -	$ -
Acquired through business combinations (Note 11)	1,413	834	-	2,247
Impairment	(1,033)	(783)	-	(1,816)
As at December 31, 2020	$ 380	$ 51	$ -	$ 431
Acquired through business combinations (Note 11)	$ -	$ -	$ 19,675	$ 19,675
Impairment	-	(51)	-	(51)
Foreign exchange impacts	-	-	-	-
As at December 31, 2021	$ 380	$ -	$ 19,675	$ 20,054

There was no accumulated impairment of goodwill or other intangible assets on or prior to January 1, 2020. Subsequent impairment amounts are shown in the table above.

13. IMPAIRMENT OF ASSETS

For the year ended December 31, 2021, the Company tested its goodwill for impairment as part of its annual fourth quarter impairment test. In addition, the Company assessed its other long-lived assets for impairment due to external indicators such as a decline in the value of the Company's publicly traded common shares as well as internal indicators such as negative operating cash flows. The Company's goodwill is assigned to the CGU's associated with the original acquisition of those operations. Management determined the Company's CGU's for 2021 impairment testing are its reportable segments shown in Note 25, but with the consumer products segment broken down into separate CGU's for the Company's Vessel, Hemp, and Beauty product groups of assets.

The significant assumptions used in the calculation of the recoverable amounts of the CGUs include four-year forecasted revenue and net cash flows, terminal period cash flows and growth rates, and the weighted average cost of capital used as the discount rate. These assumptions are considered Level 3 inputs in the fair value hierarchy. The assumptions consider historical and projected data from internal sources as well as external industry trends and expectations.

2021 Impairment Test

As a result of the impairment test, the Company's food and beverage CGU incurred a goodwill impairment of $0.1 million to write-down goodwill to zero as at December 31, 2021. The primary circumstances leading to the goodwill impairment are the relatively low profit margins and high working capital requirements based on the CGU's current customer margins and supplier payment terms. The recoverable amount calculated was approximately $0.4 million for the CGU including current assets. Prior to the impairment, the carrying value of the CGU's goodwill was $0.1 million and other long-lived assets was approximately $0.1 million. The discount rate used in the analysis was 20.5%, revenue growth reflecting the Company's budget estimates and annualizing 2021 results for 2022, revenue growth of approximately 55% through 2025, and tapering down to 3% terminal period growth. Operating margin ranged from -14% in 2022 and increasing to 6% in 2024 through the terminal period and working capital requirements at 25% of revenue and tapering down to 15% of revenue by 2024 through the terminal period.

The Company's Vessel CGU was acquired in November 2021 as discussed in Note 10. The CGU's December 31, 2021 carrying value of $28.3 million is comprised primarily of goodwill and identified intangible assets (see Note 10) of $28.8 million and other long-lived assets of $0.7 million. The carrying value is reduced by inseparable market participant liabilities associated with the November 2021 acquisition of Vessel which includes $1.5 million of deferred tax liability and $0.5 million of lease liability. The CGU's carrying value was considered for impairment as at December 31, 2021 as required for business combinations completed within the Company's fiscal year. The estimated recoverable amount was $28.6 million, resulting in no impairment as the amount exceeds the carrying value of the CGU's assets by $0.3 million.

The recoverable amount is based on fair value less costs of disposal. The fair value was determined based on guideline public companies similar to Vessel considering financial metrics such as historical revenue growth, gross margin and EBITDA profitability and with operations focused on consumer brands and similar sales channels. An enterprise value to latest twelve months revenue multiple of 4.3x was selected based on consideration of the enterprise value to latest twelve months multiples of the guideline companies as well as the implied multiple the Company paid to acquire Vessel in November 2021. The multiple was applied to Vessel's revenue for the twelve months ended December 31, 2021. Estimated costs of disposal of 3% were subtracted to arrive at the recoverable amount. The impairment test valuation is considered a Level 3 method within the IFRS 13 fair value hierarchy.

As Vessel's recoverable amount exceeds its carrying value by less than 1% of the carrying value, any change in the significant assumptions could result in an impairment of its preliminary goodwill and identified intangible assets as at December 31, 2021. As a sensitivity assessment to the recoverable amount calculations, reducing the selected revenue multiple by 0.5 from 4.3 down to 3.8 (approximately 12% decrease) would result in a goodwill impairment of approximately $3.1 million.

The Company's other CGU's were tested for impairment in the fourth quarter of 2021, but the recoverable amounts significantly exceeded the carrying values, resulting in no impairment. At the time of the test, the carrying value of goodwill for these other CGU's totaled $0.4 million and other long-lived assets totaled $3.1 million. The recoverable amounts were determined based on value in use, with discount rates ranging from 20.5% to 30%, operating margins from 6% to 45%, working capital requirements ranging from 15% to 30% of revenue, and terminal period growth rates of 3%. The revenue growth rates reflect the Company's expectations for developing these businesses with growth rates beyond the development stage period of 55% in 2024 and tapering down to 3% in the terminal period after 2025. The discount rates applied include CGU specific risk premiums ranging from 8% to 19%.

The Company reconciled the sum of its CGU recoverable amounts discussed above plus all other net assets to the Company's market capitalization of common shares as at October 31, 2021 noting the recoverable amounts were less than the market capitalization by a 56% discount. A similar reconciliation was performed using the Company's December 31, 2021 market capitalization that indicated a 13% discount.

2020 and 2019 Impairment Tests

As at December 31, 2020, the goodwill balances were allocated to a cash generating unit ("CGU") for each of the acquisitions of Cronomed, Breeze and Kasa. The Company assesses whether there are events or changes in circumstances that would more likely than not reduce the fair value of each of its CGUs to below carrying value and, therefore, require goodwill to be tested for impairment at the end of each reporting period.

As at December 31, 2020, the Company performed its annual impairment test on each of the CGUs with associated goodwill using the fair value less cost to dispose method as the basis to determine recoverable amount of the CGUs. The discount rates used were between 15.8% and 20.0%. The annual growth rates in forecast gross revenue were estimated for the CGUs ranged between -1.3% - 26.4%. The total impairment expense indicated by the impairment test was $1.8 million (2019 - $nil) and is attributed to the working capital requirements of the acquired entities being higher than anticipated when the purchase prices were originally negotiated.

14. LOANS PAYABLE AND DEBT

The Company entered into a loan agreement with Medivolve Inc. (formerly QuestCap Inc.) in 2019 for an amount up to $0.5 million of which $0.5 million was drawn down prior to repayment on January 31, 2020. The unsecured loan bore interest at 10% annually and was payable on demand. The loan is considered a related party transaction as former officers of the Company served as officers of Medivolve Inc.

The Company entered into a loan agreement with Sulliden Mining Capital Inc. ("Sulliden") in 2019 for an amount up to $0.5 million of which $0.5 million was drawn down prior to repayment on January 31, 2020. The unsecured loan which bore interest at 12% annually and was due on March 31, 2020. The loan is considered a related party transaction as former officers of the Company served as officers of Sulliden.

15. LEASES

The Company's leases primarily consist of administrative real estate leases in Colombia and the United States, and the Company's cultivation property in Santander, Colombia. Information regarding the Company's leases is as follows:

Thousands of United States dollars	**Year ended December 31, 2021**	Year ended December 31, 2020
Lease expense		
Amortization expense by class of underlying asset		
Office Space	**$ 196**	$ 26
Building	**10**	-
Land	**57**	54
Total amortization expense	**263**	80
Interest on lease liabilities	**52**	16
Short-term and low value assets lease expense	**14**	-
Total lease expense	**$ 329**	$ 96
Other Information		
Additions to right of use assets	**$ 1,233**	$ 94
Cash paid for amounts included in the measurement of lease liabilities		
Financing cash flows from leases (interest)	**44**	16
Financing cash flows from leases (principal)	**213**	67
Operating cash flows for short term and low value asset leases	**13**	-
Total cash outflows from leases	**$ 270**	$ 83
Carrying amount of right of use asset by class of underlying asset		
Office Space	**$ 1,079**	$ 70
Building	**10**	-
Land	**140**	248
Total carrying amount of right of use assets	**$ 1,229**	$ 318

The maturity analysis of the undiscounted contractual balances of the lease liability is as follows:

Thousands of United States dollars	Year ended December 31, 2021
2022	$ 519
2023	468
2024	329
2025	115
2026	84
Thereafter	-
Total undiscounted cash flows	$ 1,515
Less: present value discount	(195)
Total lease liabilities	$ 1,320

Most of the Company's leases contain renewal options to continue the leases for another term equivalent to the original term, which are generally up to two years. The lease liabilities above include renewal terms that management has executed or is reasonably certain of renewing, which only included leases that would have expired in 2022. The Company's land lease for 361 hectares of property in Santander, Colombia expires August 31, 2024 and is recorded as a right of use asset in property, plant and equipment. There is an option to extend the lease for an additional five years, unless either the Company or lessor provide notice to terminate the lease at the end of the original term with six months' notice.

16. CAPITAL STOCK

Authorized and issued

The Company has an unlimited number of common shares, no par value, authorized. On April 30, 2021, the Company consolidated its issued and outstanding common shares based on one new common share of the Company for every three existing common shares of the Company. All common shares and per share amounts have been restated to give retroactive effect to the share consolidation.

The Company had the following significant common share transactions:

In February 2022, as part of the Company's acquisition of JustCBD (Note 26), the Company issued 9.5 million common shares as part of the purchase consideration. See additional Company common share and stock option transactions in 2022 at Note 26.

Year ended December 31, 2021

NOVEMBER 2021 UNIT OFFERING
On November 23, 2021, the Company closed an offering of 11,500,000 units of the Company at a price of $3.00 per unit for gross proceeds of $34.5 million. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant (5,750,000 total warrants) to purchase one additional common share at an exercise price of $3.75 per warrant share through November 18, 2026. The Company paid $2.7 million in issuance costs relating to the November 2021 unit offering, as well as 460,000 warrants issued to the underwriters as discussed in Note 18.

NOVEMBER 2021 PAYMENT TO VESSEL OWNERS
As discussed in Note 11, the Company issued 4,557,000 common shares of the Company valued at $20.7 million to the prior owners of Vessel as part of the Company's acquisition of Vessel in November 2021.

INITIAL PUBLIC OFFERING
On May 13, 2021, the Company closed its Initial Public Offering ("IPO") upon which it issued 3,333,333 common shares of the Company at a price of $5.00 per common share for gross proceeds of $16.7 million. On May 11, 2021, the Company was listed on the NASDAQ stock exchange in the United States. In connection with the closing, the Company paid issuance costs of $1.8 million and issued 632,000 warrants to the underwriters of the IPO valued at $1.3 million. The Company also issued 333,333 common shares to the Chief Executive Officer of the Company, valued at $1.7 million based on the IPO price per share of $5.00.

REGULATION A OFFERING
On January 20, 2021, the Company issued 26,000 units of the Company at a price of $2.25 per unit for gross proceeds of $0.1 million. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant to purchase one additional common share at an exercise price of $3.00 per warrant share, subject to certain adjustments, over an 18-month exercise period following the date of issuance of the warrant. The Company sold the units through a Tier 2 offering pursuant to Regulation A (Regulation A+) under the Securities Act of 1933, as amended. Additionally, the Company cancelled 28,000 units of the Company at a price of $2.25 per unit and valued at $0.1 million. The units were cancelled due to non-payment of the subscription price.

OTHER OFFERING
On July 23, 2021, the Company issued 55,555 common shares of the Company valued at $0.2 million for consulting services performed.

Year ended December 31, 2020

REGULATION A OFFERING
During the year ended December 31, 2020, the Company announced an offering up to 13,333,287 units (the "Units") of the Company to be sold in a Regulation A offering circular under the Securities Act of 1933, as amended. Each Unit is comprised of one common share of the Company and one-half of one warrant to purchase one additional common share (a "Warrant Share") at an exercise price of $3.00 per Warrant Share, subject to certain adjustments, over an 18-month exercise period following the date of issuance of the warrant. The Units were offered at a purchase price of $2.25 per Unit. Flora is selling the Units through a Tier 2 offering pursuant to Regulation A (Regulation A+) under the Securities Act of 1933, as amended. During the year ended December 31, 2020, the Company has issued 13,333,287 units of the Company at a price of $2.25 per unit. In connection with the closing, the Company paid unit issuance costs of $3.1 million in cash, which has been allocated $2.7 million to capital stock and $0.4 million to warrants.

OTHER 2020 ISSUANCES
On December 22, 2020, the Company issued 1,333,333 common shares to the Chief Executive Officer of the Company, valued at $2.6 million, based on the estimated current stock price of $1.92 per common share.

On December 31, 2020, the Company issued 158,000 common shares to shareholders of Flora Beauty LLC, Hemp Textiles & Co LLC and Hemp Textiles SAS, valued at $0.3 million based on the estimated stock price of $1.92 per common share as discussed in Note 11.

Year ended December 31, 2019

On June 27, 2019, the Company granted bonuses of $1.4 million to consultants, directors and officers of the Company. The bonuses were settled by the issuance of 23,333,333 common shares at a price of $0.06 per share based on the value of services agreed upon and invoiced by the consultants, directors, officers and the Company. Of the 23,333,333 common shares issued, a total of 4,983,000 common shares with a value of $0.3 million were granted to the directors and officers of the Company (See Note 19).

17. OPTIONS

The Company has a stock option plan whereby it may grant options for the purchase of common shares to any director, consultant, employee or officer of the Company or its subsidiaries. The aggregate number of shares that may be issuable pursuant to options granted under the Company's stock option plan will not exceed 10% of the common shares of the Company outstanding (the "Shares") at the date of grant. The options are non-transferable and non-assignable and may be granted for a term not exceeding five years. The exercise price of the options will be determined by the Board of Directors of the Company at the time of grant, but if the Shares are traded on any stock exchange (the "Exchange"), the exercise price may not be less than the closing price of the Shares on the Exchange on the trading date immediately preceding the date of grant, subject to all applicable regulatory requirements. Stock option vesting terms are subject to the discretion of the Company's Board of Directors.

Information relating to share options outstanding and exercisable as at December 31, 2021, 2020 and 2019 is as follows:

	Year ended December 31, 2021	
	Number of options	Weighted average exercise price
	Thousands	$
Balance, March 13, 2019	-	-
Granted	2,333	0.15
Balance, December 31, 2019	2,333	0.15
Granted	1,700	2.25
Exercised	(200)	0.15
Expired	(39)	1.05
Balance, December 31, 2020	3,794	1.08
Granted	**2,304**	**2.88**
Exercised	**(650)**	**0.07**
Balance, December 31, 2021	**5,448**	**1.96**

Date of expiry	Options outstanding	Options exercisable	Exercise price	Grant date fair value vested	Remaining life in years
	Thousands	Thousands	$	Thousands of Dollars	
June 28, 2024	1,461	1,461	$ 0.15	$ 54	2.5
April 23, 2025	117	117	2.25	344	3.3
July 6, 2025	317	317	2.25	252	3.5
July 31, 2025	17	17	2.25	23	3.6
September 8, 2025	66	66	2.25	92	3.7
November 4, 2025	666	666	2.25	918	3.8
December 23, 2025	500	500	2.25	689	4.0
June 3, 2026	241	-	3.87	400	4.4
June 10, 2026	167	-	3.68	265	4.4
September 21, 2026	16	-	5.20	21	4.7
September 25, 2026	240	-	6.90	411	4.7
December 16, 2026	1,640	-	2.04	243	5.0
	5,448	3,144	$ 1.95	$ 3,712	3.9

The fair value of stock options issued during the years ended December 31, 2021, 2020 and 2019 was determined at the time of issuance using the Black-Scholes option pricing model with the following weighted average inputs, assumptions and results:

	2021	2020	2019
Risk-free annual interest rate	1.12%	0.40%	1.39%
Current stock price	$ 2.88	$ 1.92	$ 0.06
Expected annualized volatility	100%	100%	100%
Expected life (years)	5	5	5
Expected annual dividend yield	0%	0%	0%
Exercise price	$ 2.88	$ 2.25	$ 0.15

The total expense related to the options granted in the year ended December 31, 2021 was $1.3 million (2020 - $2.3 million, 2019 - $0.1 million). The options issued in 2021 vest one year following the date of grant if the award holder is still employed or engaged by the Company. The options granted in 2020 and 2019 vested immediately at the time of grant.

During the year ended December 31, 2020, 38,889 unexercised stock options expired following the termination of certain employees and were charged to deficit. No stock options expired or were forfeited in the years ended December 31, 2021 and 2019.

18. WARRANTS

On May 10, 2021, the Company issued 632,053 warrants issued as share issuance costs pursuant to the IPO (Note 16). Each warrant permits the holder to purchase one common share of the Company through May 11, 2026 for $6.25 for 233,333 of the warrants, and $3.00 for 398,720 of the warrants. The issue date fair value of the warrants was estimated at $1.3 million using the Black Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 100% based on comparable companies; risk-free interest rate of 0.91% and an expected life of 5 years.

In November 2021, the Company issued 5,750,000 warrants issued as part of the November 2021 unit offering (Note 16). Each warrant permits the holder to purchase one common share of the Company through November 18, 2026 for $3.75. The issue date fair value of the warrants was estimated at $8.7 million using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 100% based on comparable companies; risk-free interest rate of 1.5% and an expected life of 5 years.

Related to the November 2021 unit offering, 460,000 warrants were issued to the underwriters and recorded as issuance costs to share capital. Each warrant permits the holder to purchase one common share of the Company through November 18, 2027 for $3.30. The issue date fair value of the warrants was estimated at $1.1 million using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 100% based on comparable companies; risk-free interest rate of 1.5% and an expected life of 6 years.

The following tables show warrants outstanding as at December 31, 2021:

	Number of warrants	Weighted average exercise price
	Thousands	
Balance, March 13, 2019	**-**	**$ -**
Issued	2,333	0.15
Balance, December 31, 2019	**2,333**	**$ 0.15**
Issued	6,667	3.00
Balance, December 31, 2020	**9,000**	**$ 2.26**
Exercised	(6,509)	2.29
Cancelled/Expired	(600)	3.00
Issued	6,855	3.76
Balance, December 31, 2021	**8,746**	**$ 3.37**

Date of expiry	Warrants outstanding	Exercise price	Grant date fair value	Remaining life in years
	Thousands	$	Thousands of Dollars	
March 15, 2022 (1)	417	$ 0.15	$ 4	0.20
July 23, 2021- July 20, 2022	2,119	3.00	1,397	0.38
November 18, 2026	5,750	3.75	8,706	4.88
November 18, 2027	460	3.30	1,055	5.88
	8,746	$ 3.37	$ 11,162	3.65

(1) See Note 26 for subsequent exercise of warrants.

19. RELATED PARTY DISCLOSURES

Key management personnel compensation

In addition to their contracted fees, directors and officers also participate in the Company's stock option program. Certain executive officers are subject to termination notices of 24 to 36 months and change of control payments (Note 20). Key management personnel compensation is comprised of the following:

Thousands of United States dollars	Year ended December 31, 2021	Year ended December 31, 2020	Period from incorporation on March 13, 2019 to December 31, 2019
Directors' and officers' compensation	$ 2,261	$ 1,938	$ 557
Share-based payments	2,373	4,167	68
	$ 4,634	$ 6,105	$ 625

The Company defines key management personnel as those persons having authority and responsibility for planning, directing, and controlling the activities of the Company directly or indirectly, and was determined to be executive officers and directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the Board of Directors of the Company having regard to the performance of individuals and market trends.

As at December 31, 2021, $0.3 million of the above directors' and officers' compensation was included in the trade payables and accrued liabilities (2020 – nil). These amounts are unsecured, non-interest bearing and due on demand. The share-based payments amount above for 2021 includes 333,333 common shares to the Chief Executive Officer of the Company, valued at $1.7 million, that were recorded to equity as share issuance costs as payment related to services provided during the Company's initial public offering process (Note 16).

Related party transactions
During the year ended December 31, 2021, the Company incurred expenses for consulting, rent and promotion services in the amount of $0.1 million (2020 - $0.1 million, 2019 - $0.1 million) from 2227929 Ontario Inc., an entity affiliated with a former director, and expenses for consulting in the amount of $0.2 million (2020 - $0.1 million, 2019 - $0.1 million) total from Forbes and Manhattan Inc and 2051580 Ontario Corp., two entities affiliated with a former director. As at December 31, 2021, $ 6,000 (2020 - $11,000) was owed to 2227929 Ontario Inc., $11,000 (2020 - $11,000) was owed to Forbes and Manhattan Inc. and $nil was owed to 2051580 Ontario Corp. These amounts were included in trade payables and accrued liabilities, and are unsecured, non-interest bearing and due on demand. Fred Leigh is a former director of the Company and is also a director and officer of 2227929 Ontario Inc. Stan Bharti is a former director and former Chairman of the Company and is also a director of Forbes and Manhattan Inc.

As at December 31, 2021, $nil (2020 - $0.2 million) was owed to Medivolve Inc. and was included in trade payables and accrued liabilities, and is unsecured, non-interest bearing and due on demand. Deborah Battiston is the former Chief Financial Officer of the Company and is also the Chief Financial Officer of Medivolve Inc.

See Note 6 for loans receivable and advances to related parties. See Note 14 for loans payable to related parties.

20. PROVISIONS, COMMITMENTS AND CONTINGENCIES

Provisions and contingent liabilities
The Company's current known provisions and contingent liabilities consist of termination benefits and legal disputes.

Thousands of United States dollars	Termination benefits	Legal disputes
Balance as at December 31, 2020	$ -	$ -
Additional provisions	352	1,681
Balance as at December 31, 2021	$ 352	$ 1,681

The termination benefits provision relates to contractual termination benefits owed to a former board member of the Company and a consultant. The amounts are recorded within accounts payable and accrued expenses on the consolidated statements of financial position.

The legal disputes provision relates to the settlement of a contractual dispute between the Company and the underwriter for the Company's IPO, with respect to the amount of compensation due to such underwriter pursuant to an engagement letter entered into in September 2020 and an underwriting agreement dated May 2021, each entered into between the underwriter and the Company. In April 2022, the Company entered a settlement agreement with the underwriter pursuant to which the Company paid $ 0.4 million and issued 700,000 common shares of the Company to the underwriter to settle the dispute. The provision balance as of December 31, 2021 reflects the value of the cash and the Company's shares as of the date of the settlement agreement. If the Company enters additional business combination transactions by May 11, 2022, the Company will owe an additional 1.5% of the transaction value to the underwriter. The amounts are recorded within trade payables and accrued liabilities on the consolidated statements of financial position.

The Company records liabilities for legal proceedings in those instances where it can reasonably estimate the amount of the loss and where liability is probable. The Company is engaged from time-to-time in various legal proceedings and claims that have arisen in the ordinary course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Based on information currently known to the Company and after consultation with outside legal counsel, management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company, taken as a whole as at December 31, 2021.

On March 18, 2022, the Company received a letter from a law firm representing an undisclosed group of former pre-acquisition shareholders of VBI (the "VBI Shareholders") seeking to engage in settlement discussions on the basis that the Company was purportedly misleading in its intentions to engage in a capital raising transaction shortly after the completion of the VBI acquisition. We promptly responded in writing and denied the VBI Shareholders presentation of the facts and denied all allegations against the Company. We believe that any potential claims as alleged in the letter are without merit and we intend to defend vigorously against them in connection with any future potential legal proceedings. The VBI Shareholders have not commenced litigation against the Company and it is unknown whether the VBI Shareholders will do so and what their claims may be. The Company believes that an unfavorable settlement in this matter is remote, and, as such, has not accrued a liability as of December 31, 2021.

Management contracts
The Company is party to certain management contracts. As at December 31, 2021, these contracts require payments totaling approximately $1.5 million to be made upon the occurrence of a change in control to the officers of the Company. The Company is also committed to payments to certain individuals upon termination of approximately $ 1.2 million pursuant to the terms of these contracts. As a triggering event has not taken place, these amounts have not been recorded in these consolidated financial statements.

Shared services and space commitment
The Company has an agreement to share general and administrative, promotion, corporate development, consulting services, and office space with other companies with monthly payments and a minimum commitment of CAD 45,000 ($36,000 on December 31, 2021). This agreement may be terminated by either party giving at least 90 days' prior written notice (or such shorter period as the parties may mutually agree upon) to the other party of termination. These services are provided by 2227929 Ontario Inc which is a related party (Note 19). This agreement expired by its terms on March 14, 2022.

21. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% for the year ended December 31, 2021 (2020 and 2019 – 26.5%) to the effective tax rate is as follows:

Thousands of United States dollars	**2021**	2020	2019
Loss before income taxes	**$ (21,459)**	$ (14,334)	$ (2,844)
Expected income tax recovery based on statutory rate	**(5,686)**	(3,798)	(754)
Adjustment to expected income tax recovery:			
Unrealized loss on investment	**621**	-	-
Legal settlement	**339**	-	-
Share based compensation	**355**	1,299	23
Impairment	**-**	481	-
Change in statutory, foreign tax, foreign exchange rates and other	**(133)**	(795)	(90)
Change in benefit of tax assets not recognized and others	**4,406**	2,813	821
Deferred income tax provision (recovery)	$ **(98)**	$ -	$ -

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying values of assets and liabilities.

Thousands of United States dollars	**2021**	2020	2019
United States non-capital loss carryforwards	**$ 1,229**	$ -	$ -
Total deferred tax assets	**$ 1,229**	$ -	$ -
United States intangible assets	**$ 2,511**	$ -	$ -
United States other accruals	**90**	-	-
Colombia intangible assets	**139**	139	-
Total deferred tax liabilities	**$ 2,740**	$ -	$ -
Net deferred income tax liability	**$ 1,511**	$ 139	$ -

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

Thousands of United States dollars	**2021**	2020	2019
Non-capital loss carryforwards - Canada	**$ 21,310**	$ 9,079	$ 2,577
Legal settlement – Canada	**400**	-	-
Allowance for doubtful accounts – Canada	**400**	-	-
Share issue costs – Canada	**5,996**	2,486	-
Non-capital loss carryforwards – United States	**1,006**	293	343
Non-capital loss carryforwards - Colombia	**2,704**	2,709	-
Total	**$ 31,816**	$ 14,567	$ 2,920

Unused loss carryforwards in Canada totaling $21.3 million expire beginning 2039. Unused loss carryforwards in Columbia totaling $2.7 million in Colombia expiring beginning 2031. Unused loss carryforwards in the United States totaling $1.0 million have and indefinite carryforward period. Deferred tax assets have not been recognized for legal entities where it is not probable that future taxable profit will be available against which the Company can use the benefits. Tax attributes are subject to review, and potential adjustment, by tax authorities.

The amount of current income tax expense for the year ended December 31, 2021 was less than $0.1 million and deferred income tax benefit was $0.1 million within the statements of loss. There was no current or deferred income tax expense recorded for the years ended December 31, 2020 and 2019.

22. LOSS PER SHARE

The following securities were not included in the computation of diluted shares outstanding because the effect would be anti-dilutive as the Company has a net loss for each period presented:

Thousands of securities	**December 31, 2021**	**December 31, 2020**
Stock options (Note 17)	5,448	3,794
Warrants (Note 18)	8,746	9,000
Total anti-dilutive	14,194	12,794

In February 2022, as part of the Company's acquisition of JustCBD (Note 26), the Company issued 9.5 million common shares as part of the purchase consideration. See additional Company common share and stock option transactions in 2022 at Note 26.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Environmental
The Company's growth and development activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Fair value
The Company's financial instruments measured at amortized cost as at December 31, 2021 and 2020 consist of cash, restricted cash, trade and amounts receivable, loans receivable, trade payables and accrued liabilities, amounts payable to vendors on business combinations, lease liabilities, and debt and loans payable. The amounts reflected in the consolidated statements of financial position approximate fair value due to the short-term maturity of these instruments.

Financial instruments recorded at the reporting date at fair value are classified into one of three levels based upon the fair value hierarchy. Items are categorized based on inputs used to derive fair value based on:

Level 1 - quoted prices that are unadjusted in active markets for identical assets or liabilities
Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset/liability either directly or indirectly; and
Level 3 - inputs for the instruments are not based on any observable market data.

The Company's long-term investments require significant unobservable inputs and as discussed at Note 10, are measured at FVPL and as a Level 3 fair value financial instrument within the fair value hierarchy as at December 31, 2021. As valuations of investments for which market quotations are not readily available are inherently uncertain, may fluctuate within short periods of time and are based on estimates, determination of fair value may differ materially from the values that would have resulted if a ready market existed for the investments. Such changes may have a significant impact on the Company's financial condition or operating results.

Risk management overview
The Company has exposure to credit, liquidity and market risks from its use of financial instruments. This note provides information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these condensed interim consolidated financial statements.

Credit risk
Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade and other receivables, loans receivable and cash held with banks and other financial intermediaries.

The carrying amount of the cash, restricted cash, trade and amounts receivables and loan receivable represents the maximum credit exposure as presented in the statement of financial position.

The Company has assessed that there has been no significant increase in credit risk of the loans receivable from initial recognition based on the financial position of the borrowers, and the regulatory and economic environment of the borrowers. As a result, the loss allowance recognized during the period was limited to twelve months expected credit losses. Based on historical information, and adjusted for forward-looking expectations, the Company has assessed an insignificant loss allowance on the loans' receivable and advances as at December 31, 2021 and 2020.

The Company provides credit to certain customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. Credit risk for customers is assessed on a case-by-case basis and an allowance for specific expected credit losses is recorded where required, in addition to an estimate of lifetime expected credit losses for the portfolio of accounts receivable. See credit risk analysis for trade receivables at Note 5.

The Company held cash and restricted cash of $37.6 million as at December 31, 2021 (2020 - $15.5 million), of which, $37.4 million (2020 - $15.4 million) is held with large financial institutions and national central banks. The remaining $0.2 million cash amounts are held with financial intermediaries in Colombia and the United States. The Company has assessed no significant increase in credit risk from initial recognition based on the availability of funds, and the regulatory and economic environment of the financial intermediary. As a result, the loss allowance recognized during the period was limited to twelve months of expected credit losses. Based on historical information, and adjusted for forward-looking expectations, the Company has assessed an insignificant loss allowance on these cash and restricted cash balances as at December 31, 2021 and 2020.

Market risk
Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates, and interest rates, will affect the Company's net income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing the Company's returns.

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate due to changes in foreign exchange rates. The Company does not currently use foreign exchange contracts to hedge its exposure to currency rate risk as management has determined that this risk is not significant. As such, the Company's financial position and financial results may be adversely affected by the unfavorable fluctuations in currency exchange rates.

As at December 31, 2021, the Company had the following monetary assets and liabilities denominated in foreign currencies:

December 31,2021	**CAD**	**COP**	**EUR**	**CHF**
Thousands of foreign currencies				
Cash	1,393	4,451,775	896	-
Amounts receivable	72	15,775,755	-	-
Loans receivable	-	-	-	250
Trade payables	(40)	(5,398,068)	-	-
Accrued liabilities	(589)	(2,120,869)	-	-
Lease liability	-	(1,690,797)	-	-
Long term debt	-	(72,963)	-	-
Net carrying value	836	10,944,833	896	250

As at December 31, 2020, the Company had the following monetary assets and liabilities denominated in foreign currencies:

December 31,2020	**CAD**	**COP**	**EUR**
Thousands of foreign currencies			
Cash	1,839	889,204	118
Amounts receivable	594	1,478,432	-
Trade payables	(581)	(4,032,077)	-
Accrued liabilities	(120)	-	-
Lease liability	-	(1,126,542)	-
Long term debt	-	(1,098,081)	-
Net carrying value	1,732	(3,889,064)	118

Monetary assets and liabilities denominated in Canadian dollars, Colombian pesos, Euros and Swiss Francs are subject to foreign currency risk. The Company has estimated that as at December 31, 2021, the effect of a 10% increase or decrease in Canadian dollars, Colombian pesos, Euros and Swiss Francs ("CHF") against the Unites States dollar on financial assets and liabilities would result in an increase or decrease of approximately $0.5 million (2020 – $0.2 million) to net loss and comprehensive loss.

The Company calculates this sensitivity analysis based on the net financial assets denominated in each currency using the December 31 exchange rate, then changing the rate by 10%. Management determined 10% is a 'reasonably possible' change in foreign currency rates by considering the approximate change in rates in the prior twelve months. The rate used in 2020 was 5%, and the amounts above have been recast to reflect the impact if 10% was used for comparative purposes.

It is management's opinion that the Company is not subject to significant commodity or interest rate risk.

Management considers concentration risk with counterparties considering the level of purchases and sales of its business segments (Note 25). Several of the Company's business units purchase substantially all their inventory or materials from a single supplier.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's financial liabilities consist of trade payables and accrued liabilities, loans payable and debt, and lease liabilities as presented on the statement of financial position. The Company had cash and restricted cash as presented on the statement of financial position. The Company has no available credit lines of facilities to draw borrowings from should additional liquidity be needed. The Company's policy is to review liquidity resources and ensure that sufficient funds are available to meet financial obligations as they become due. Further, the Company's management is responsible for ensuring funds exist and are readily accessible to support business opportunities as they arise.

Trade payables and accrued liabilities consist of invoices payable to trade suppliers for administration and professional expenditures. The Company processes invoices within a normal payment period. Trade payables have contractual maturities of less than 90 days. Some suppliers of materials and inventory require full prepayment from the Company prior to providing such goods to the Company. See schedule of future lease commitments at Note 15 and other commitments at Note 20.

The Company's long-term investments in equity of other entities are not publicly traded and there is not an active market to sell the investments for cash.

Novel Coronavirus ("COVID-19")
The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

24. CAPITAL MANAGEMENT

The Company considers the aggregate of its common shares, options, warrants and borrowings as capital. The Company's capital management objective is to ensure sufficient resources are available to meet day to day operating requirements and to safeguard its ability to continue as a going concern to provide returns for shareholders and benefits for other shareholders.

For the year ended December 31, 2021, the Company had negative cash from operations and the main source of cash flow is generated from financing activities. Potential business activities are appropriately evaluated by senior management and a formal review and approval process has been established by the Board of Directors. The Company may enter new financing arrangements to meet its objectives for managing capital until the Company's operating cash flows are sufficient to cover its operational requirements. The Company's capital management objectives were being met in 2021 primarily from the issuance of common shares and warrants as discussed in Notes 16 and 18 and generating increasing revenue in 2021 from the Company's reportable segments as presented in Note 25.

The Company's officers and senior management take full responsibility for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

The Company is not subject to any external capital requirements. As at December 31, 2021, there were no changes in the Company's approach to capital management.

25. SEGMENTED INFORMATION

The Company is engaged in the growth, cultivation, and development of medicinal cannabis and medicinal cannabis derivative products through its Colombia Cosechemos subsidiary. The Company's other businesses are run through its other Colombia and United States subsidiaries. Management has defined the reportable segments of the Company based on this internal business unit reporting, which is by major product line, and aggregates similar businesses into the Consumer Products segment below. The Corporate segment reflects balances and expenses that do not directly influence business unit operations and includes the Company's long-term investments. The Corporate segment revenue includes the license of intellectual property.

The following tables show information regarding the Company's segments for the years ended December 31, 2021 and 2020. The 2020 amounts were restated to conform to the Company's current 2021 reportable segments determination.

In 2021, the Company had sales to a single customer exceeding 10% of its consolidated revenue. Sales to this customer were $1.3 million and were part of the Beverage and Food reportable segment.

Thousands of United States dollars	Cannabis growth and derivative production $	Consumer products $	Pharmaceuticals and nutraceuticals $	Beverage and food $	Corporate $	Total $
For the year ended December 31, 2021						
Revenue	$ 3	$ 2,620	$ 2,342	$ 3,577	$ 438	$ 8,980
Gross profit	(85)	865	802	347	424	2,353
Net loss	(1,075)	(960)	(70)	(281)	(18,975)	(21,361)
For the year ended December 31, 2020						
Revenue	$ -	$ 89	$ -	$ -	$ 17	$ 106
Gross profit	-	66	-	-	5	71
Net loss	(612)	(506)	-	-	(13,216)	(14,334)

Thousands of United States dollars	Colombia $	United States $	Canada $	Total $
Non-current assets at December 31, 2021	**4,042**	**29,650**	**3,844**	**37,536**
Total liabilities at December 31, 2021	**2,359**	**3,106**	**3,073**	**8,538**
Non-current assets at December 31, 2020	$ 1,818	$ -	$ -	$ 1,818
Total liabilities at December 31, 2020	1,922	12	1,268	3,202
Year ended December 31, 2021				
Net revenue	**$ 6,919**	**$ 1,681**	**$ 380**	**$ 8,980**
Gross profit	**1,419**	**554**	**380**	**2,353**
Year ended December 31, 2020				
Net revenue	$ 75	$ 31	$ -	$ 106
Gross profit	40	31	-	71

26. SUBSEQUENT EVENTS

JUSTCBD ACQUISITION

On February 24, 2022, a subsidiary of the Company acquired 100% of the equity interests in Just Brands LLC and High Roller Private Label LLC (together "JustCBD"). JustCBD's products sold include assorted gummies, tinctures, vape cartridges, and creams both direct to consumer and through retail stores. JustCBD has a manufacturing and distribution center based in Fort Lauderdale, Florida in the United States. The initial purchase consideration included $16.0 million plus 9.5 million common shares of the Company. The purchase consideration can be adjusted based on customer working capital targets, shortfalls between JustCBD audited results and target levels, and certain indemnifications. For 24 months following the closing date, the Company must issue additional common shares if the five-day volume weighted average price per share of the Company's common shares as quoted on the Nasdaq Capital Market fails to equal or exceed $5.00 so that the common share consideration has an aggregate value of $47.5 million. The Company expects the acquisition of JustCBD to accelerate the Company's growth, create distribution and supply chain synergies, and increases its customer database. The Company has not yet begun the initial business combinations accounting and therefore cannot provide specific amounts related to acquired assets and liabilities.

ACQUISITION OF NONCONTROLLING INTERESTS

During the first quarter of 2022, the Company completed its acquisition of Breeze by acquiring the remaining 10% of the equity interests in Breeze from its minority shareholders in exchange for 30,282 common shares of the Company.

During the first quarter of 2022, the Company acquired the remaining 10% of the outstanding equity interests in Flora Beauty LLC from its minority shareholder in exchange for 100,000 common shares of the Company and a stock option, exercisable for up to 50,000 common shares of the Company at an exercise price of $1.70 per share that expire five years from the date of the grant.

OTHER

During the first quarter of 2022, the Company amended an agreement with a consultant pursuant to which the Company issued 111,112 common shares of the Company and a stock option, exercisable for up to 83,333 common shares of the Company at an exercise price of $2.25 per share that expire five years from the date of the grant.

During the first quarter of 2022, the Company entered into a consulting agreement with the Company's former Chairman of the Board to render services to the Company in exchange for base fees of $25,000 per month through December 31, 2022.

Subsequent to December 31, 2021, a total of 511,999 options and 470,704 warrants were exercised in exchange 982,703 common shares.

Flora Growth Corp.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020 and the period from incorporation on March 13, 2019 to December 31, 2019

(Expressed in United States Dollars)

To the Shareholders and Directors of
Flora Growth Corp.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Flora Growth Corp. (the "Company"), as of December 31, 2020 and 2019, and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the year ended December 31, 2020 and the period from incorporation (March 13, 2019) to December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the year ended December 31, 2020 and the period from incorporation (March 13, 2019) to December 31, 2019 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatements of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2020.

/s/ DAVIDSON & COMPANY LLP
Chartered Professional Accountants

Vancouver, Canada

April 20, 2021

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Telephone (604) 687-0947 Davidson-co.com

Flora Growth Corp.

Consolidated Statements of Financial Position
(in thousands of United States dollars, except per share amounts which are in thousands of shares)

As at December 31,		2020		2019
ASSETS				
Current				
Cash	**$**	**15,523**	$	140
Trade and amounts receivable (Note 5)		**922**		20
Loans receivable and advances (Note 6)		**302**		91
Prepaid expenses		**347**		210
Inventory (Note 7)		**540**		-
Total current assets		**17,634**		461
Non-current				
Property, plant and equipment (Note 8)		**411**		144
Right of use assets (Note 8)		**318**		291
Intangible asset (Note 10)		**658**		277
Goodwill (Note 10)		**431**		-
Total assets	**$**	**19,452**	$	1,173
LIABILITIES				
Current				
Trade payables and accrued liabilities (Note 17)	**$**	**1,809**	$	1,149
Amounts payable to vendors on business combinaitons (Note 9)		**605**		-
Loans payable (Note 11)		**-**		1,030
Current portion of long term debt (Note 13)		**251**		-
Current portion of lease liability (Note 12)		**78**		53
Total current liabilities		**2,743**		2,232
Non-current				
Non-current debt (Note 13)		**69**		-
Non-current lease liability (Note 12)		**251**		246
Deferred tax (Note 20)		**139**		-
Total liabilities		**3,202**		2,478
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share capital (Note 14(b))		**27,254**		1,400
Options (Note 15)		**2,396**		86
Warrants (Note 16)		**3,961**		21
Accumulated other comprehensive income		**39**		23
Deficit		**(17,287)**		(2,824)
Non-controlling interest		**(113)**		(11)
Total Shareholders' equity (deficiency)		**16,250**		(1,305)
Total liabilities and shareholders' equity (deficiency)	**$**	**19,452**	$	1,173

Commitments and contingencies (Note 18)
Subsequent events (Note 24)

APPROVED ON BEHALF OF THE BOARD

Signed *"Damian Lopez"*, DIRECTOR

Signed *"Bernard Wilson"*, DIRECTOR

The accompanying notes are an integral part of these consolidated financial statements.

Flora Growth Corp.

Consolidated Statements of Loss and Comprehensive Loss

(in thousands of United States dollars, except per share amounts which are in thousands of shares)

	For the year ended December 31, 2020	For the period from incorporation (March 13, 2019) to December 31, 2019
Revenue (Note 23)	**$ 106**	**$ -**
Cost of sales	**35**	**-**
Gross Profit	**$ 71**	**$ -**
Expenses		
Consulting and management fees (Note 14(b) and 17)	**$ 4,752**	$ 2,001
Professional fees	**794**	183
General and administrative	**1,400**	175
Travel expenses	**428**	306
Share based compensation (Note 15)	**4,901**	107
Depreciation and amortization (Notes 8 and 10)	**113**	26
Research and development	**78**	21
Foreign exchange loss	**20**	6
Total expenses	**12,486**	2,825
Loss before the undernoted items	**(12,415)**	(2,825)
Goodwill impairment (Note 10)	**1,816**	-
Interest expense	**30**	19
Transaction costs (Note 9)	**132**	-
Other income	**(59)**	-
Net loss for the period	**$ (14,334)**	$ (2,844)
Other comprehensive loss		
Exchange differences on foreign operations	**(16)**	(23)
Total comprehensive loss for the period	**$ (14,350)**	$ (2,821)
Net loss attributable to:		
Flora Growth Corp.	**$ (14,170)**	$ (2,824)
Non-controlling interests	**$ (164)**	$ (20)
Comprehensive loss attributable to:		
Flora Growth Corp.	**$ (14,186)**	$ (2,801)
Non-controlling interests	**$ (164)**	$ (20)
Basic and diluted loss per share attributable to Flora Growth Corp.	**$ (0.16)**	$ (0.06)
Weighted average number of common shares outstanding (thousands)- basic and diluted (Note 19)	**89,704**	44,676

The accompanying notes are an integral part of these consolidated financial statements.

Flora Growth Corp.

Consolidated Statements of Shareholders' Equity (Deficiency)

(in thousands of United States dollars, except per share amounts which are in thousands of shares)

	Common Shares (thousands)		Options	Warrants	Accumulated other comprehensive loss	Accumulated Deficit	Non-Controlling interest (Deficiency)	Shareholders' Equity (Deficiency)
	#	$	$	$	$	$		$
Balance, March 13, 2019	-	-	-	-	-	-	-	-
Incorporation share	-	-	-	-	-	-	-	-
Common shares issued (Note 14(b))	70,000	1,400	-	-	-	-	-	1,400
Options issued (Note 15)	-	-	86	-	-	-	-	86
Warrants issued (Note 16)	-	-	-	21		-	-	21
Acquisition of Cosechemos (Note 9)	-	-	-	-	-	-	9	9
Other comprehensive loss - exchange differences on foreign operations	-	-	-	-	23	-	-	23
Loss for the period	-	-	-	-	-	(2,824)	(20)	(2,844)
Balance, December 31, 2019	70,000	1,400	86	21	23	(2,824)	(11)	(1,305)
Balance, December 31, 2019	70,000	1,400	86	21	23	(2,824)	(11)	(1,305)
Regulation A Offering (Note 14(b))	40,000	25,605	-	4,395	-	-	-	30,000
Share issuance costs (Note 14(b))	-	(2,652)	-	(455)	-	-	-	(3,107)
Common shares issued for services (Note 14(b))	4,000	2,560	-	-	-	-	-	2,560
Common shares issued for acquisitions (Note 14(b))	475	304	-	-	-	(317)	62	49
Options exercised	600	37	(7)	-	-	-	-	30
Options issued (Note 15)	-	-	2,341	-	-	-	-	2,341
Options expired	-	-	(24)	-	-	24	-	-
Other comprehensive loss - exchange differences on foreign operations	-	-	-	-	16	-	-	16
Loss for the year	-	-	-	-		(14,170)	(164)	(14,334)
Balance, December 31, 2020	**115,075**	**27,254**	**2,396**	**3,961**	**39**	**(17,287)**	**(113)**	**16,250**

The accompanying notes are an integral part of these consolidated financial statements.

Flora Growth Corp.

Consolidated Statements of Cash Flows

(in thousands of United States dollars, except per share amounts which are in thousands of shares)

	Year ended Decemer 31, 2020	For the period from incorportion (March 13, 2019) to December 31, 2019
CASH FROM OPERATING ACTIVITIES:		
Net loss for the period	**$ (14,334)**	$ (2,844)
Items not involving cash:		
Share-based compensation (Notes 14(b) & 15)	**4,901**	107
Goodwill impairment (Note 10)	**1,816**	-
Bonus paid in shares (Note 14(b))	**-**	1,400
Loans settled with services (Note 6)	**71**	
Depreciation and amortization (Notes 8 and 10)	**113**	26
Accrued interest on loans receivable (Note 6)	**(54)**	-
Accrued interest on loans payable (Note 11)	**13**	20
	(7,474)	(1,291)
Net change in non-cash working capital		
Trade and other receivables	**(543)**	(19)
Inventory	**(55)**	-
Prepaid expenses	**(26)**	(170)
Trade payables and accrued liabilities	**(323)**	1,026
	(947)	837
Net cash flows from operating activities	**(8,421)**	(454)
CASH FROM FINANCING ACTIVITIES:		
Regulation A Offering (Note 14(b))	**30,000**	-
Unit issue costs (Note 14(b))	**(3,107)**	-
Exercise of options (Note 14(b))	**30**	-
Repayments of lease liaility (Note 12)	**(64)**	(5)
Loans received (Note 11)	**6**	1,010
Interest paid (Note 11)	**(33)**	-
Loan repayments (Note 11)	**(1,016)**	-
Net cash flows from financing activities	**25,816**	1,005
CASH FROM INVESTING ACTIVITIES:		
Loans provided (Notes 6 and 9)	**(2,200)**	(390)
Repayment of loans provided (Note 6)	**1,000**	-
Acquisition of equipment (Note 8)	**(234)**	(140)
Business and asset Acquisitions (Note 9)	**(730)**	99
Net cash flow from investing activities	**(2,164)**	(431)
Effect of exchange rate change	**152**	20
CHANGE IN CASH DURING THE PERIOD	**15,383**	140
CASH, beginning of the period	**140**	-
CASH, end of the period	**$ 15,523**	$ 140
Supplementary information		
Interest paid	$ 33	$ -
Income taxes paid	$ -	$ -
Non-cash consideration on acquisition of minority interests	$ 304	$ -

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Flora Growth Corp. (the "Company" or "Flora") was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation, on March 13, 2019. The Company is focused on developing business for the purpose of cultivating, processing and supplying all natural, medicinal-grade cannabis oil, cannabis oil extracts and related products to large channel distributors, including pharmacies, medical clinics, and cosmetic companies. The Company's head office is located at 65 Queen Street West, Suite 900, Toronto, Ontario, M5H 2M5, Canada.

On July 16, 2019, the Company signed a share purchase agreement to purchase 90% of Cosechemos YA S.A.S ("Cosechemos"). Coshemos is a business domiciled in Colombia whose business purpose is to cultivate and process cannabis into standardized, medicinal-grade oil extracts and related products. Cosechemos is licensed by the Ministry of Health and Ministry of Justice in Colombia to cultivate, produce derivatives, distribute and commercialize domestically and internationally, derived non-psychoactive cannabis (less than 1% of THC) and by the Ministry of Health to manufacture psychoactive derivatives (more than 1% of THC [tetrahydrocannabinol]) of cannabis. As at December 31, 2020, Cosechemos has only grown cannabis for test purposes, and has made no commercial sales.

During the year ended December 31, 2020, the Company incorporated several new operating businesses. Flora Beauty LLC was incorporated in Colorado and a subsidiary Flora Beauty LLC Sucursal Colombia was incorporated in Colombia, operations include the manufacture and sale of make-up and beauty products. Hemp Textiles & Co. LLC was incorporated in Florida, United States and Hemp Textiles & Co S.A.S. was incorporated in Colombia, and these operations include the manufacture and sale of hemp-based clothing and textiles. See Note 2 for additional details on the incorporation of these companies and their subsidiaries. These companies were incorporated with the strategic goal of integrating them into the cannabis operations of the consolidated business.

During the year ended December 31, 2020, the Company also made three strategic acquisitions of operating companies in Colombia, with the intention of ultimately integrating these operations into the cannabis operations of the Company. These companies' operations are related to distribution of food and beverages, and manufacture and sale of medical and pharmaceutical products. These acquisitions are further described in Note 9.

These consolidated financial statements have been prepared on a going concern basis, meaning that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations.

2. BASIS OF PRESENTATION

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

Statement of compliance

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretation of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies set out below have been consistently applied to all periods presented unless otherwise noted.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on April 19, 2021.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions were eliminated on consolidation. Subsidiaries are entities the Company controls when it is exposed, or has rights, to variable returns from its involvement in the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are included in the consolidated financial results of the Company from the date of acquisition up to the date of disposition or loss of control. As at December 31, 2020, the Company had the following subsidiaries:

Subsidiaries	Country of incorporation	Ownership	Functional currency
Cosechemos YA S.A.S.	Colombia	90%	Colombian Peso (COP)
Flora Growth Corp. Sucursal Colombia	Colombia	100%	Colombian Peso (COP)
Hemp Textiles & Co. LLC	United States	100%	United States Dollar (USD)
Hemp Textiles & Co. S.A.S.	Colombia	100%	Colombian Peso (COP)
Flora Beauty LLC	United States	87%	United States Dollar (USD)
Flora Beauty LLC Sucursal Colombia	Colombia	100%	Colombian Peso (COP)
Kasa Wholefoods Company S.A.S.	Colombia	90%	Colombian Peso (COP)
Kasa Wholefoods Company LLC	United States	90%	United States Dollar (USD)
Grupo Farmaceutico Cronomed S.A.S.	Colombia	100%	Colombian Peso (COP)
Labcofarm Laboratorios S.A.S.	Colombia	100%	Colombian Peso (COP)
Breeze Laboratory S.A.S.	Colombia	90%	Colombian Peso (COP)

Flora Beauty LLC was incorporated on January 14, 2020, and it's 100% owned subsidiary Flora Beauty LLC Surcursal Colombia was incorporated on June 24, 2020.

Hemp Textiles & Co. LLC was incorporated on August 17, 2020, and it's 100% owned subsidiary Hemp Textiles S.A.S. was incorporated on June 25, 2020.

Kasa Wholefoods Company LLC, a 100% owned subsidiary of Kasa Wholefoods Company S.A.S. was incorporated on April 1, 2020.

Refer to Note 9 for acquisition of minority interests completed during the year ended December 31, 2020.

Basis of measurement
The consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information and are based on historical cost except for financial instruments measured at fair value. The consolidated financial statements are presented in United States dollars unless otherwise noted.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements for the year ended December 31, 2020.

Business combination
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred. At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognized at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition date amounts of identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of noncontrolling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for those items for which the accounting is incomplete. The provisional amounts are adjusted during the measurement period, or additional assets or liabilities may be recognized to reflect additional information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Foreign currency translation
The presentation currency and functional currency of the Company is the United States dollar.

Translation into functional currency
Transactions in foreign currencies are recorded in the functional currency at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rates. Non-monetary items are translated at the exchange rates in effect on the date of the transactions. Foreign exchange gains and losses arising on translation are presented in the consolidated statement of loss and comprehensive loss.

Translation into presentation currency
The assets and liabilities of foreign operations are translated into United States dollars at year-end exchange rates. Revenue and expenses, and cash flows of foreign operations are translated into United States dollars using average exchange rates. Exchange differences resulting from translating foreign operations are recognized in other comprehensive income and accumulated in shareholders' equity. The cumulative exchange differences are reclassified to profit or loss upon the disposal of the foreign operation.

Share based compensation
Share based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The Company operates an employee stock option plan. The corresponding amount is recorded to the stock option reserve. The fair value of options is determined using the Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On exercise of a stock option, any amount related to the initial value of the stock option, along with the proceeds from exercise are recorded to share capital. On expiry of a stock option, any amount related to the initial value of the stock option is recorded to accumulated deficit.

Provisions
General
Provisions are recognized when (a) the Company has a present obligation (legal or constructive) as a result of a past event, and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the consolidated statement of loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the statement of loss.

Cash
Cash in the consolidated statement of financial position includes cash on hand and deposits held with banks and other financial intermediaries that have a maturity of less than three months at the date they are acquired.

Financial assets

Initial recognition and measurement
The Company aggregates its financial assets in accordance with IFRS 9, Financial Instruments, into classes at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows. Non-derivative financial assets are classified and measured as "financial assets at fair value", as either fair value through profit or loss "FVPL" or fair value through other comprehensive income "FVOCI", and "financial assets at amortized cost", as appropriate.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification.

Subsequent measurement – Financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. In these consolidated financial statements, cash, trade and other receivables, and loans receivable are classified in this category.

Subsequent measurement – Financial assets at FVPL
Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statement of financial position with changes in fair value recognized in other income or expense in the statement of loss. The Company does not measure any financial assets at FVPL.

Subsequent measurement – Financial assets at FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statement of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statement of loss when the right to receive payments is established.

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets
Financial assets classified subsequently as amortized cost are subject to impairment based on the expected credit losses "ECL's". The Company's only financial assets subject to impairment are cash, trade and other receivables, and loans receivable, which are measured at amortized cost.

Critical to the determination of ECL's is the definition of default and the definition of a significant increase in credit risk. The definition of default is used in measuring the amount of ECL's and in the determination of whether the loss allowance is based on a 12-month or lifetime ECL's. The Company considers the following as constituting an event of default: the borrower is past due more than 90 days on any material credit obligation, or the borrower is unlikely to pay its credit obligations to the Company in full. The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on 12-month ECL's. In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date based on the remaining maturity of the instrument with risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial asset was first recognized.

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include trade payables and accrued liabilities, loans payable and long-term debt which are measured at amortized cost. All financial liabilities are recognized initially at fair value.

Subsequent measurement – Financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Subsequent measurement – Financial liabilities at FVPL
Financial liabilities measured at FVPL include any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial liabilities measured at FVPL are carried at fair value in the consolidated statement of financial position with changes in fair value recognized in other income or expense in the consolidated statement of loss. In these consolidated financial statements, trade payables and accrued liabilities, lease liability and loans payable are measured at amortized cost.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statement of loss.

Inventories
Inventories are comprised of raw materials and finished goods. Finished products include beauty products, textiles products, pharmaceuticals and nutraceuticals, and beverages and food products. Inventories are initially valued at cost and subsequently at the lower of cost and net realizable value. Inventory cost is determined on an average cost basis and any trade discounts and rebates are deducted from the purchase price. Raw material costs include the purchase cost of the materials, freight-in and duty. Finished goods include the cost of direct materials and labor and a proportion of manufacturing overhead allocated based on normal production capacity.

To date the Company has only grown cannabis for test purposes and all plants grown have been subsequently destroyed. As such, there are no amounts included in inventory related to cannabis products or biological assets at December 31, 2020 or 2019.

Net realizable value represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory and contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The impact of changes in inventory reserves is reflected in cost of sales. To the extent that circumstances have changed subsequently such that the net realizable value has increased, previous write-downs are reversed and recognized in net income (loss) in the year during which the reversal occurs.

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation is provided for on a straight-line basis over the assets' estimated useful lives, which management has determined to be as follows:

Machinery and office equipment	5-10 years
Vehicle	10 years
Right-of-use assets	Lesser of useful life and remaining term of the lease

The Company assesses an asset's residual value, useful life and depreciation method at each financial year end and makes adjustments if appropriate. During their construction, property, plant and equipment are not subject to depreciation. When the asset is available for use, depreciation commences.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized in the consolidated statement of loss of the related year.

Intangible assets
Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is provided on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. The Company's finite-lived intangible assets are amortized as follows:

Customer relationships	5-10 years
Trademarks and brands	10 years
Licenses	5-10 years

The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The Company does not have any intangible assets with indefinite useful lives as at December 31, 2020 or 2019.

Impairment of non-financial assets
The carrying amounts of the Company's non-financial assets are reviewed for impairment as at the consolidated statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount in which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of the recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Share capital
Proceeds from the issuance of common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, stock options and warrants are recognized as a deduction from equity, net of any tax effects. The fair value of options and warrants is determined using the Black Scholes model. Warrants attached to units along with common shares are measured with the relative fair value method.

Income taxes
Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Revenue Recognition
The Company generates revenues from the sale of consumer products, including food and beverage products, pharmaceuticals, make-up and beauty products, and hemp and textile products.

Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer. Gross revenue excludes duties and taxes collected on behalf of third parties. Net revenue from sale of goods, as presented in the statement of operations and comprehensive income, represents revenue from the sale of goods less expected price discounts, returns on sales of defective products and customer rebates.

The Company's contracts with customers for the sales of products, and in some cases, including delivery of the products, consist of one performance obligation. The Company has concluded that revenue from the sale of these products should be recognized at the point in time when control is transferred to the customer, which is on shipment or delivery, depending on the contract. The Company's payment terms range from 0 to 30 days from the transfer of control.

Revenue from services are recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for rendering promised services to a customer. The Company has concluded that revenue from the services provided should be recognized as services are rendered. The Company's payment terms range from 0 to 30 days from the invoice date.

Leases
At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use assets are adjusted for impairment losses, if any. The estimated useful lives and recoverable amounts of right-of-use assets are determined on the same basis as those of property, plant and equipment. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Loss per share
Basic loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The diluted loss per share calculation excludes any potential conversion of options and warrants that would be anti-dilutive.

Non-controlling interests
Non-controlling interests (“NCI”) are recognized either at fair value or at the NCI’s proportionate share of the net assets, determined on an acquisition-by-acquisition basis at the date of acquisition. Subsequently, the NCI’s share of net loss and comprehensive loss is attributed to the NCI.

Presentation of comparative financial statements
The presentation of right-of-use assets was changed in the year ended December 31, 2020, to be presented separately from property, plant and equipment on the statement of financial position. The same change was made as at December 31, 2019 in these consolidated financial statements for consistent presentation, with no impact on net assets or profit and loss.

Adoption of amendments to accounting standards
IFRS 3 – Business Combinations ("IFRS 3") was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. For acquisitions that do not meet the definition of a business under IFRS 3, the Company follows International Accounting Standard ("IAS") 37 and IAS 38 guidelines for asset acquisition, where the consideration paid is allocated to assets acquired based on fair values on the acquisition date and transactions costs are capitalized and allocated to the assets acquired. The Company has adopted these amendments during the current period and these amendments have not resulted in a material impact on these consolidated financial statements.

Accounting pronouncements not yet adopted
The Company is not aware of any upcoming accounting pronouncements which are expected to have a material impact on its financial position or results of operations.

4. CRITICAL JUDGMENTS AND ESTIMATION UNCERTAINTIES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best estimates of the amount, event or actions, actual results could differ from those estimates and these estimates could be material.

The areas which require management to make significant judgments, estimates and assumptions include, but are not limited to:

Determination of functional currency
The Company determines the functional currency through an analysis of several indicators such as financing activities, cash flows from operating activities and frequency of transactions within the reporting entity.

Expected credit losses on financial assets
Determining an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

Income taxes and recoverability of potential deferred tax assets
In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Share based payment transactions
The Company measures the cost of equity-settled transactions with employees and applicable non-employees by reference to the fair value of the equity instruments at the date at which they are vested. Estimating fair value for share based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock price, stock option, risk-free interest rates, volatility and dividend yield.

Contingencies and provisions
Contingencies can be either possible assets or possible liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within our control occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against us, un-asserted claims that may result in such proceedings or regulatory or government actions that may negatively impact our business or operations, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or un-asserted claims or actions as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a provision or assessing the impact on the carrying value of assets. Contingent assets are not recognized in the consolidated financial statements.

Inventory
Inventory is valued at the lower of cost and net realizable value. Determining net realizable value requires the Company to make assumptions about estimated selling prices in the ordinary course of business, the estimated costs of completion and the estimated variable costs to sell.

Business combinations
In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. Estimates are made as to the fair value of the identifiable assets acquired and the liabilities assumed on the acquisition date, as well as the fair value of consideration paid and contingent consideration payable. In certain circumstances, such as the valuation of property, plant and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuators. The determination of these fair values involves a variety of assumptions, include revenue growth rates, expected operating income, discount rates, and earnings multiples.

Estimated useful lives and depreciation of property, plant and equipment, right-of-use asset and intangible assets with finite lives
Depreciation and amortization of property, plant and equipment, right-of-use asset and intangible assets with finite lives are dependent upon estimates of useful lives and when the asset is available for use, which are determined through the exercise of judgment and are dependent upon estimates that take into account factors such as economic and market conditions, frequency of use, anticipated changes in laws and technological improvements.

Impairment of property, plant and equipment, right-of-use asset and intangible assets other than goodwill
The assessment of any impairment on property, plant and equipment, right-of-use asset and intangible assets other than goodwill is dependent upon estimates of recoverable amounts. As the recoverable amount is the higher of fair value less costs of disposal and value in use, management must consider factors such as economic and market conditions, estimated future cash flows, discount rates and asset specific risks.

Impairment of goodwill
The impairment test for cash generating units ("CGUs") to which goodwill is allocated is based on the value in use of the CGU, determined in accordance with the expected cash flow approach. The calculation is based on assumptions including, but not limited to, the cash flow growth rate and the discount rate.

Determination of CGUs
Management is required to use judgement in determining which assets or group of assets make up appropriate CGUs for the level at which goodwill and intangible assets with indefinite lives are tested for impairment. A CGU is defined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

5. TRADE AND AMOUNTS RECEIVABLE

The trade and other receivables balance as at December 31, 2020 and 2019 consists of trade accounts receivable, amounts recoverable from the Government of Canada for Harmonized Sales Taxes ("HST") and amounts receivables.

	December 31, 2020	December 31, 2019
Trade accounts receivable	$ 254	$ -
HST receivable	459	19
Amounts receivables	209	1
Total	$ 922	$ 20

Trade accounts receivable is presented net of allowance of $116.

6. LOANS RECEIVABLE AND ADVANCES

Loans Receivable and advances- 2020

As at December 31, 2020, the Company had provided a loan of $224 to Sanaty IPS S.A.S. ("Sanaty"). The purpose of making this loan was to provide working capital to Sanaty as a potential acquisition target. The loan is unsecured, non-interest bearing and due on demand. Imputed interest of $6 was not considered significant. Sanaty is 28% owned indirectly by Medivolve Inc. Deborah Battiston is the Chief Financial Officer of the Company and is also the Chief Financial Officer of Medivolve Inc.

As at December 31, 2020, the Company had provided an advance of $78 to Laboratorios Quiprofarma S.A.S. ("Quiprofarma"). The purpose of making this advance was for a prepayment of the purchase price on the asset acquisition that was closed subsequent to December 31, 2020. See Note 24.

Loans Receivable and advances- 2019

As at December 31, 2019, the Company had granted a loan to Kasa Wholefoods Company S.A.S ("Kasa"). The purpose of making this loan was to provide working capital to Kasa as a potential acquisition target, and on December 29, 2020 the Company signed a share purchase agreement with Kasa. See Note 9. The loan accrued interest with an annual interest rate of 5%, was unsecured, and was payable on demand. As at December 31, 2019, the Company had a loan receivable of $91.087 of which $91 was principal and $0.087 was interest.

The Company had granted a loan of $1,000 to Newdene Gold Inc. ("Newdene"). The loan accrued interest with an annual interest rate of 6% and was payable six months following the closing date of February 12, 2020. The loan was secured by a securities pledge agreement in favor of the Company creating a security interest of 2,000 common shares in the capital of Flora. On November 23, 2020, the Newdene loan of $1,000 plus interest of $47 was repaid in full.

The Company had granted a loan of CAD$100 ($71) to Consultancies and Consultancies of Latam by GM LLC ("Consultancies"). The loan accrued interest with an annual interest rate of 5% and was payable sixty days following the closing date of April 17, 2020. The loan to Consultancies and Consultancies of Latam by GM LLC ("Consultancies") of CAD$100 ($71) plus interest of $2 has been repaid in full via services provided.

7. INVENTORY

Inventory, as at December 31, 2020 and 2019, is comprised of the following:

	2020	2019
	$	$
Raw materials and supplies - Pharmaceuticals and nutraceuticals	**174**	
Raw materials and supplies - Textile produts	**8**	-
Total raw materials and supplies	**182**	-
Finished goods - Beauty products	**18**	
Finished goods - Textiles products	**37**	
Finished goods - Pharmaceuticals and nutraceuticals	**274**	
Finished goods - Beverages and food products	**29**	
Total finished goods	**358**	
Total	**540**	-

As at December 31, 2020 and 2019, the Company does not have any biological assets.

During the year ended December 31, 2020, $35 of inventory was expensed to cost of sales (2019 - $Nil).

8. PROPERTY, PLANT AND EQUIPMENT

Cost	**Construction in progress** **$**	**Machinery and Office equipment** **$**	**Vehicle** **$**	**Land** **$**	**Subtotal** **$**	**Right of use assets** **$**	**Total** **$**
As at March 13, 2019	-	-	-	-	-	-	-
Additions	99	1	40	-	140	-	140
Asset acquisition (Note 9)	-	1	-	-	1	288	289
Foreign exchange translation	4	-	1	-	5	18	23
Cost as at December 31, 2019	**103**	**2**	**41**	**-**	**146**	**306**	**452**
Additions	35	77	-	122	234	-	234
Business combinations (Note 9)	-	41	-	-	41	85	126
Foreign exchange translation	(2)	10	(2)	9	15	(12)	3
Cost as at December 31, 2020	**136**	**130**	**39**	**131**	**436**	**379**	**815**
Accumulated depreciation							
As at March 13, 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation	-	(2)	-	-	(2)	(13)	(15)
Foreign exchange translation	-	-	-	-	-	(2)	(2)
Accumulated depreciation as at December 31, 2019	**-**	**(2)**	**-**	**-**	**(2)**	**(15)**	**(17)**
Depreciation	-	(14)	(4)	-	(18)	(42)	(60)
Foreign exchange translation	-	(5)	-	-	(5)	(4)	(9)
Accumulated depreciation as at December 31, 2020	**-**	**(21)**	**(4)**	**-**	**(25)**	**(61)**	**(86)**
Net book value							
As at December 31, 2019	**103**	**-**	**41**	**-**	**144**	**291**	**435**
As at December 31, 2020	**136**	**109**	**35**	**131**	**411**	**318**	**729**

The Company is constructing greenhouses in Colombia, the expenditures for which are recorded as construction in progress which is not currently being depreciated. Depreciation will commence when construction is complete, and the facility is available for its intended use. All of the Company's property, plant and equipment is domiciled in Colombia.

9. ASSET ACQUISITION AND BUSINESS COMBINATIONS

Acquisition of Cosechemos YA S.A.S (the "Acquisition")

On July 16, 2019, the Company signed a share purchase agreement with the certain third party individuals, the "Vendors", to purchase 90% of Cosechemos. As consideration for the Cosechemos shares, Flora agreed to (i) pay $80 to the Vendors, and (ii) grant the Vendors a 10% non-dilutive, free carried interest in Cosechemos, the ("Free Carry"). Pursuant to the agreement, Flora is required to pay the Vendors, as a one-time payment, $750 within 60 days of Cosechemos earning a net income of $10,000. On October 15, 2019, $80 was paid to the Vendors for the purchase of 90% of Cosechemos. Cosechemos was acquired to gain access to certain cannabis licenses held by Cosechemos in Colombia. Cosechemos is focused on cultivating, processing and supplying all natural, medicinal-grade cannabis oil extracts and related products to large channel distributors, including pharmacies, medical clinics and cosmetic companies. Cosechemos' operations are in Giron, Santander, Colombia where it has leased a 361 hectare property.

The Free Carry will terminate upon Flora investing an aggregate of $25,000 in Cosechemos.

This acquisition did not meet the definition of a business combination under IFRS 3 and was therefore recorded as an asset acquisition. The asset acquisition was recorded at 100% of the fair value of the net assets acquired with 10% attributable to the non-controlling interest.

The allocation of the consideration to the fair value of 100% of the net assets acquired at the date of acquisition is as follows:

	$
Current assets	221
Property and equipment	1
Right of use asset	288
Intangible asset	272
Trade and other payables	(104)
Loans payable to Flora Growth Corp.	(299)
Lease liability	(290)
Non-controlling interest	(9)
Total consideration paid	80

Acquisition of Grupo Farmaceutico Cronomed S.A.S. *("Cronomed")*

On December 18, 2020, the Company acquired 100% of Cronomed, pursuant to a share purchase agreement (the "Cronomed Purchase Agreement") with certain third party individuals, the "Cronomed Vendors". As consideration the Company was to pay COP$3,468,631 (approximately $992) in cash. As at December 31, 2020, $163 remained payable to the Cronomed Vendors and was included in Trade payables and accrued liabilities on the consolidated statement of financial position. In addition, Flora previously paid fees related to the acquisition of $131.

Cronomed is focused on the commercialization and distribution of pharmaceutical and over-the-counter products, including dietary supplements, phytotherapeutic and nutraceutical products, supplements and related products to large channel distributors, including pharmacies, medical clinics, and cosmetic companies. Cronomed's 100% owned subsidiary, Labcofarm Laboratorios S.A.S. ("Labcofarm") was incorporated on November 20, 2012 under the laws of Colombia. Labcofarm's operations include importing raw materials and other products needed for the production of its products.

This acquisition was accounted for as a business combination under IFRS 3, with the Company as the acquirer, and Cronomed as the acquiree. The business combination was recorded at 100% of the fair value of the net assets acquired. The purpose of the acquisition was to create future synergies in the Company's cannabis business.

The allocation of the consideration to the fair value of 100% of the net assets acquired at the date of acquisition is as follows:

	$
Current assets	563
Property and equipment	9
Right of use asset	85
Intangible asset	311
Goodwill	728
Trade and other payables	(300)
Long term debt	(186)
Amounts payable to Flora Growth Corp. consolidated group	(30)
Lease liability	(92)
Deferred income tax	(96)
Total consideration paid	992

Goodwill represents expected synergies, future income and growth potential, and other intangibles that do not qualify for separate recognition. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

For the year ended December 31, 2020, prior to being acquired, Cronomed generated COP3,839,212 ($1,118) in revenues, incurred COP20,335 ($6) in net income. If the acquisition had been completed on January 1, 2020, the Company estimates it would have had revenues of $1,224 and incurred a comprehensive loss of $14,344.

Acquisition of Kasa Wholefoods Company S.A.S. ("Kasa")

On December 29, 2020, the Company acquired 90% of Kasa Wholefoods Company SAS Colombia ("Kasa"), pursuant to a share purchase agreement (the "Kasa Purchase Agreement") with the "Kasa Vendors". As consideration the Company was to pay $148.3 in cash and discharged certain liabilities of the Kasa Vendors in the amount of $87.3, for aggregate consideration of $236. As at December 31, 2020, $236 remained payable to the Kasa Vendors and was included in Trade payables and accrued liabilities on the consolidated statement of financial position.

Kasa is a company headquartered in Colombia with a focus on designing, producing and supplying natural, no additive-added, no sugar-added juices, chocolate and chocolate related products to large channel distributors, including wholesale distributors, pharmacies, supermarkets and online distributors. Kasa's business operations are primarily in Colombia. Kasa's 100% owned subsidiary, Kasa Wholefoods Company LLC, was incorporated on April 1, 2020 under the laws of Florida, United States. Kasa was acquired to gain access to research and development efforts on a water-soluble cannabinoid solution to infuse cannabinoids into its products.

This acquisition was accounted for as a business combination under IFRS 3, with the Company as the acquirer, and Kasa as the acquiree. The business combination was recorded at 100% of the fair value of the net assets acquired with 10% attributable to the non-controlling interest.

The allocation of the consideration to the fair value of 100% of the net assets acquired at the date of acquisition is as follows:

	$
Current assets	331
Property and equipment	9
Intangible asset	48
Goodwill	834
Trade and other payables	(246)
Long term debt	(107)
Amounts payable to Flora Growth Corp. consolidated group	(591)
Deferred income tax	(15)
Non-controlling interest	(27)
Total consideration paid	236

Goodwill represents expected synergies, future income and growth potential, and other intangibles that do not qualify for separate recognition. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

For the year ended December 31, 2020, prior to being acquired, Kasa generated COP562,696 ($161) in revenues, incurred COP1,344,916 ($384) in net loss. If the acquisition had been completed on January 1, 2020, the Company estimates it would have had revenues of $267 and incurred a comprehensive loss of $14,734.

Acquisition of Breeze Laboratory S.A.S. ("Breeze")

On December 29, 2020, the Company acquired 90% of Breeze, pursuant to a share purchase agreement (the "Breeze Purchase Agreement") with certain third party individuals, the "Breeze Vendors". As consideration, the Company was to pay $147.3 in cash and discharged certain liabilities of the Breeze Vendors in the amount of $58.9 for aggregate consideration of $206. As at December 31, 2020, $206 remained payable to the Breeze Vendors and was included in Trade payables and accrued liabilities on the consolidated statement of financial position

Pursuant to the Breeze Purchase Agreement, in the event that the Company elects to merge Breeze and Cronomed, we are required to issue that number of shares of the combined entity to the Breeze Vendors such that collectively the Breeze Vendors would own a 5% equity interest in the combined entity. In the event that the Company elect not to merge Breeze and Cronomed and instead sell such shares to an arm's length third party, at the Breeze Vendors' sole option, the Company has agreed to (a) pay to the Breeze Vendors COP$700,000 (approximately USD$200); (b) pay to the Breeze Vendors 5% of the proceeds from the sale of such shares to the third party; or (c) transfer 10% of such shares to the Breeze Vendors with 8 business days' notice of any such decision. These provisions were assessed as being contingent consideration, with $Nil value as the Company does not intend to merge Breeze and Cronomed or sell Breeze to an arm's length third party.

Breeze focuses on the design, development and manufacturing of dermo-cosmetic products to respond to the needs of consumers, health specialists, patients and therapists. Breeze also manufactures magistral formulations in Colombia, which are custom formulations prescribed by physicians according to the individual needs and symptoms of patients and prepared as prescribed by a certified pharmaceutical establishment using cannabis derivatives.

This acquisition was accounted for as a business combination under IFRS 3, with the Company as the acquirer, and Breeze as the acquiree. The business combination was recorded at 100% of the fair value of the net assets acquired with 10% attributable to the non-controlling interest. The purpose of the acquisition was to create future synergies in the Company's cannabis business.

The allocation of the consideration to the fair value of 100% of the net assets acquired at the date of acquisition is as follows:

	$
Current assets	214
Property and equipment	23
Intangible asset	89
Goodwill	685
Trade and other payables	(430)
Long term debt	(27)
Amounts payable to Flora Growth Corp. consolidated group	(297)
Deferred income tax	(28)
Non-controlling interest	(23)
Total consideration paid	206

Goodwill represents expected synergies, future income and growth potential, and other intangibles that do not qualify for separate recognition. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

For the year ended December 31, 2020, prior to being acquired, Breeze generated COP1,853,376 ($540) in revenues, incurred COP359,261 ($105) in net income. If the acquisition had been completed on January 1, 2020, the Company estimates it would have had revenues of $646 and incurred a comprehensive loss of $14,245.

Acquisition of Minority interests
On December 29, 2020, we were assigned (i) a 10% membership interest in Flora Beauty LLC (5% owned by Andrés Restrepo and 5% owned by Luis Merchan); (ii) a 10% membership interest in Hemp Textiles & Co LLC owned by Luis Merchan; and (iii) a 20% membership interest in Hemp Textiles SAS (5% owned by Santiago Mora Bahamón, 5% owned by Luis Merchan and 10% owned by Nicolás Vásquez). As consideration for the assignment of such membership interests, we granted 190 shares of our Common Shares to Mr. Restrepo; 190 shares of our Common Shares to Mr. Vazquez; 95 shares of our Common Shares to Mr. Bahamón; and paid $0.3 to Mr. Merchan, who was appointed as the President and Chief Executive Officer by our Board on December 16, 2020.

10. INTANGIBLE ASSETS AND GOODWILL

A continuity of the intangible assets for the year ended December 31, 2020 is as follows:

	Licenses	Customer relationships	Trademarks and brands	Goodwill	Total
Cost					
At March 13, 2019	$ -	$ -	$ -	$ -	$ -
Acquired through asset acquistion (Note 9)	272	-	-	-	272
At December 31, 2019	$ 272	$ -	$ -	$ -	$ 272
Accumulated Amortization					
At March 13, 2019	$ -	$ -	$ -	$ -	$ -
Additions	11	-	-	-	11
At December 31, 2019	$ 11	$ -	$ -	$ -	$ 11
Foreign Currency translation	16	-	-	-	16
Net book value at December 31, 2019	**$ 277**	**$ -**	**$ -**	**$ -**	**$ 277**

	Licenses	Customer relationships	Trademarks and brands	Goodwill	Total
Cost					
At January 1, 2020	$ 272	$ -	$ -	$ -	$ 272
Acquired through business combinations (Note 9)	138	189	121	2,247	2,695
Impairment	-	-	-	(1,816)	(1,816)
At December 31, 2020	$ 410	$ 189	$ 121	$ 431	$ 1,151
Accumulated Amortization					
At January 1, 2020	$ 11	$ -	$ -	$ -	$ 11
Additions	53	-	-	-	53
At December 31, 2020	$ 64	$ -	$ -	$ -	$ 64
Foreign Currency translation	2	-	-	-	2
Net book value at December 31, 2020	**$ 348**	**$ 189**	**$ 121**	**$ 431**	**$ 1,089**

The Company's intangible asset acquired in 2019 consist of a license is for the production of non-psychoactive cannabis products on its property located in Colombia. The Company's intangible asset acquired in 2020 consist of customer relationships, tradenames/brands and licenses and certifications for formulations as a result of the acquisitions of Kasa, Breeze and Cronomed. See Note 9.

None of the Company's intangible assets are individually material. The amortization policy for each class of intangible asset is disclosed in Note 3.

Below is a reconciliation of changes in the goodwill balance for the year ended December 31, 2020:

	Cronomed	Breeze	Kasa	Total
As at January 1, 2020	$ -	$ -	$ -	$ -
Acquired through business combinations (Note 9)	728	685	834	2,247
Impairment	(348)	(685)	(783)	(1,816)
As at December 31, 2020	$ 380	$ -	$ 51	$ 431

As at December 31, 2020, the goodwill balances were allocated to a cash generating unit ("CGU") for each of the acquisitions of Cronomed, Breeze and Kasa. The Company assesses whether there are events or changes in circumstances that would more likely than not reduce the fair value of each of its CGUs to below carrying value and, therefore, require goodwill to be tested for impairment at the end of each reporting period.

As at December 31, 2020, the Company performed its annual impairment test on each of the CGUs with associated goodwill using the fair value less cost to dispose method as the basis to determine recoverable amount of the CGUs. The key assumptions used in the calculation of the recoverable amounts of the CGUs relate to six-year forecast cash flows, terminal year cash flows, weighted average cost of capital, and compound annual growth rate in forecast gross revenue. These key assumptions are considered Level 3 inputs in the fair value hierarchy, and were based on historical data from internal sources as well as industry and market trends. The discount rates used were between 15.8% - 20.0%, representing the weighted average cost of capital (after-tax) determined based on the following primary factors: (i) the risk-free rate; (ii) an equity risk premium; (iii) beta adjustment to the equity risk premium based on a review of betas of comparable peer companies; (iv) size premium; (v) country risk premium; and (vi) company specific risk premium. The compound annual growth rates in forecast gross revenue were estimated for the CGUs ranged between -1.3% - 26.4%. The total impairment expense indicated by the impairment test was $1,816 (2019 - $Nil), and is attributed to the working capital requirements of the acquired entities being higher than anticipated when the purchase prices were originally negotiated. The goodwill is included within the corporate segment for segmented reporting, because none of the operating segments to which the goodwill related exceeded quantitative thresholds for individual reporting (See Note 23).

11. LOANS PAYABLE

The Company entered into a loan agreement with Medivolve Inc. (formerly QuestCap Inc.) during the year ended December 31, 2019 for an amount up to $500 of which $498 of principal was drawn down prior repayment (December 31, 2019 - $498). The loan was a United States dollar loan which bore interest at 10% annually, was unsecured, and was payable on demand. As at December 31, 2019, the interest payable on the loan was $16. Stan Bharti and Deborah Battiston are the former Chairman and director and Chief Financial Officer, respectively, of the Company and the Chairman and Chief Financial Officer of Medivolve. These funds were sent to provide support to Cosechemos and to provide working capital for the Company. On January 31, 2020, the loan was repaid in the amount of $521; $498 to principal and $24 to interest.

The Company entered into a loan agreement with Sulliden Mining Capital Inc. during the year ended December 31, 2019 for an amount up to $525 of which $502 of principal was drawn down prior to repayment (December 31, 2019 - $496). The loan was a United States dollar loan which bore interest at 12% annually, was unsecured, and was due on March 31, 2020. As at December 31, 2019, the interest payable on the loan was $4. Stan Bharti and Deborah Battiston are the former Chairman and director and Chief Financial Officer, respectively, of the Company and Interim Chief Executive Officer and former Chief Financial Officer, respectively of Sulliden Mining. These funds were sent to provide support to Cosechemos and to provide working capital for the Company. On January 31, 2020, the loan was repaid in the amount of $511; $502 to principal and $9 to interest.

The Company entered into a loan agreement with Q Gold Resources Ltd. during the year ended December 31, 2019 for an amount of $17 (December 31, 2019 - $17). The loan bore interest at 10% annually, was unsecured, and was payable on demand. As at December 31, 2019, the interest payable on the loan was $1. Deborah Battiston is the Chief Financial Officer and Fred Leigh is a former director of the Company. Deborah Battiston is the Chief Financial Officer and Fred Leigh is Chief Executive Officer and a director of Q Gold. These funds were sent to provide support to Cosechemos and to provide working capital for the Company. On March 6, 2020, the loan was repaid in the amount of $18; $17 to principal and $1 to interest.

12. LEASE LIABILITY

The Company's subsidiary entered into a land lease for 361 hectares of property in the municipality of Giron, in Santander, Colombia. The land is subject to a 6-year lease and is recorded as a right of use asset in property, plant and equipment. The discount rate used to calculate the lease liability is 5.2%.

The Company's subsidiary has a lease for an administrative office, which began on March 1, 2020, and will be ending on September 30, 2024 and is recorded as a right of use asset in property, plant and equipment. The incremental borrowing rate used to calculate the lease liability is 21.6%.

A continuity of lease liability for the period ended December 31, 2020 is as follows:

As at March 13, 2019	**$**	**-**
Acquisition of lease		290
Lease payments		(9)
Interest expense on lease liability		4
Foreign currency translation		14
As at December 31, 2019	**$**	**299**
Lease payments		(64)
Interest expense on lease liability		13
Foreign currency translation		(13)
Acquisition of lease		94
As at December 31, 2020	**$**	**329**
Current portion		**78**
Long term portion	**$**	**251**

The maturity analysis of the undiscounted contractual balances of the lease liability is as follows:

Less than one year	$	107
One to five years		288
		395
Effect of discounting		(66)
		329
Potential exposure on extension option (over 5 years) (i)	$	350

(i) There is an option to extend the lease in the event that neither the lessee nor the lessor terminates the lease, for an additional five years.

The total expense for the year related to low value or short-term leases was $Nil (2019 - $Nil).

13. LONG TERM DEBT

The following is the continuity of the credit facility for the year ended December 31, 2020:

	$
Balance, January 1, 2020	-
Acquired upon business combinations (Note 9)	320
Balance, December 31, 2020	**320**
Current	251
Long term	69

The maturity analysis of the undiscounted contractual balances of the long term debt is as follows:

Less than one year	269
One to five years	51
	320

The long-term debt carries an average interest rate of 13%, has an average maturity of 1.11 years, and is unsecured.

14. CAPITAL STOCK

a. Authorized

Unlimited number of common shares, without par value

b. Common shares issued

	Number of shares (thousands)	Stated value $
Balance, March 13, 2019	-	$ -
Incorporation share	-	-
Bonus shares	70,000	1,400
Balance, December 31, 2019	70,000	$ 1,400
Regulation A Offering	40,000	25,605
Share issuance costs	-	(2,652)
Stock options exercised	600	37
Shares issued services	4,000	2,560
Shares issued acquisitions (Note 9)	475	304
Balance, December 31, 2020	**115,075**	**$ 27,254**

The Company had the following common share transactions:

Year ended December 31, 2020

REGULATION A OFFERING

During the year ended December 31, 2020, the Company announced an offering up to 40,000 (the "Maximum Offering") units (the "Units") of the Company to be sold in a Regulation A offering circular under the Securities Act of 1933 (the "Offering"). Each Unit is comprised of one common share in the capital of the Company, with no par value per share (a "Common Share"), and one-half of one Common Share purchase warrant (each whole warrant, a "Warrant") to purchase one additional Common Share (a "Warrant Share") at an exercise price of $1.00 per Warrant Share, subject to certain adjustments, over an 18-month exercise period following the date of issuance of the Warrant. The Units are being offered at a purchase price of $0.75 per Unit. Flora is selling the Units through a Tier 2 offering pursuant to Regulation A (Regulation A+) under the Securities Act of 1933. During the year ended December 31, 2020, the Company has issued 40,000 units of the Company at a price of $0.75 per unit. In connection with the closing, the Company has paid unit issuance costs of $3,107 in cash, which has been allocated $2,652 to capital stock and $455 to warrants.

On March 9, 2020, 600 stock options were exercised for gross proceeds of $30.

On December 22, 2020, the Company issued 4,000 common shares to the Chief Executive Officer of the Company, valued at $2,560, based on the estimated current stock price of $0.64 per common share.

On December 31, 2020, the Company issued 475 common shares to the shareholders of Flora Beauty LLC, Hemp Textiles & Co LLC and Hemp Textiles SAS, valued at $304, based on the estimated current stock price of $0.64 per common share. See Note 9.

Year ended December 31, 2019

On June 27, 2019, the Company granted bonuses of $1,400 to consultants, directors and officers of the Company. The bonuses were settled by the issuance of 70,000 common shares at a price of $0.02 per share for a value of $1,400 based on the value of services agreed upon and invoiced by the consultants, directors, officers and the Company. Of the 70,000 common shares issued, a total of 14,950 common shares with a value of $299 were granted to the directors and officers of the Company (See Note 17).

15. OPTIONS

The Company has a stock option plan whereby it may grant options for the purchase of common shares to any director, consultant, employee or officer of the Company or its subsidiaries. The aggregate number of shares that may be issuable pursuant to options granted under the Company's stock option plan will not exceed 10% of the issued common shares of the Company (the "Shares") at the date of grant. The options are non-transferable and non-assignable and may be granted for a term not exceeding five years. The exercise price of the options will be determined by the board at the time of grant, but in the event that the Shares are traded on any stock exchange (the "Exchange"), may not be less than the closing price of the Shares on the Exchange on the trading date immediately preceding the date of grant, subject to all applicable regulatory requirements. Stock option vesting terms are subject to the discretion of the board of directors.

Information relating to share options outstanding and exercisable as at December 31, 2020 and 2019 is as follows:

	Number of options	Weighted average exercise price
Balance, March 13, 2019	**-**	**$ -**
Granted	7,000	0.05
Balance, December 31, 2019	**7,000**	**$ 0.05**
Granted	**5,100**	**0.75**
Exercised	**(600)**	**0.05**
Expired	**(117)**	**0.35**
Balance, December 31, 2020	**11,383**	**$ 0.36**

Date of expiry	Options outstanding	Options exercisable	Exercise price	Grant date fair value	Remaining life in years
June 28, 2024	6,333	6,333	$ 0.05	$ 78	3.49
April 23,2025	750	750	$ 0.75	344	4.31
July 6, 2025	550	550	$ 0.75	252	4.52
July 31, 2025	50	50	$ 0.75	23	4.58
September 8, 2025	200	200	$ 0.75	92	4.69
November 4, 2025	2,000	2,000	$ 0.75	918	4.85
December 16, 2025	1,500	1,500	$ 0.75	689	4.96
	11,383	11,383	$ 0.36	$ 2,396	4.05

The fair value of stock options issued during the year ended December 31, 2020 was determined at the time of issuance using the Black-Scholes option pricing model with the following weighted average inputs, assumptions and results:

Risk-free annual interest rate	0.40%
Current stock price	$0.64
Expected annualized volatility	100%
Expected life (years)	5
Expected annual dividend yield	0%
Exercise price	$0.75

The fair value of stock options issued during the period from incorporation on March 13, 20219 to December 31, 2019 was determined at the time of issuance using the Black-Scholes option pricing model with the following weighted average inputs, assumptions and results

Risk-free annual interest rate	1.39%
Current stock price	$0.02
Expected annualized volatility	100%
Expected life (years)	5
Expected annual dividend yield	0%
Exercise price	$0.05

The total expense related to the fair value of options granted which was recognized in the year ended December 31, 2020 was $2,341 (2019 - $86). The options issued in 2020 and 2019 vested immediately.

The expected volatility is based on comparable companies.

During the year ended December 31, 2020, 117 stock options expired unexercised following the termination of certain employees and were charged to deficit.

16. WARRANTS

On March 15, 2019, the Company granted 7,000 founder warrants of the Company with an exercise price of $0.05 per common share. The fair market value of the warrants was estimated to be $21 using the Black Scholes option pricing model based on the following assumptions: risk-free rate of 1.63%, estimated current stock price of $0.01, expected volatility of 100%, based on comparable companies, an estimated life of 3 years and an expected dividend yield of 0%. A total of 7,000 warrants with a value of $21 were granted to the directors and officers of the Company (See Note 17).

During the year ended December 31, 2020, there were 20,000 warrants issued under the Regulation A offering (Note 14(b)).The issue date fair value of the warrants was estimated at $4,395 using the Black Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 100% based comparable companies; risk-free interest rate of 0.54% and an expected life of 1.5 years.

	Number of warrants (thousands)	Weighted average exercise price
Balance, March 13, 2019	**-**	**$ -**
Granted	7,000	0.05
Balance, December 31, 2019	**7,000**	**$ 0.05**
Granted (Note 15(b))	**20,000**	**1.00**
Balance, December 31, 2020	**27,000**	**$ 0.75**

The following table shows all warrants outstanding as at December 31, 2020:

Date of expiry	Warrants outstanding	Exercise price	Grant date fair value	Remaining life in years
March 15, 2022	7,000	$ 0.05	$ 21	1.20
July 23, 2021- June 29, 2022	20,000	$ 1.00	$ 4,395	0.98
	27,000	$ 0.75	$ 4,416	1.07

17. RELATED PARTY DISCLOSURES

Key management personnel compensation

In addition to their contracted fees, directors and officers also participate in the Company's stock option program. Certain executive officers are subject to termination notices of twenty-four months to thirty-six months and change of control contingent provisions (Note 18). Key management personnel compensation is comprised of the following, see Notes 14(b), 15, 16.

	Year ended December 31, 2020	Period from incorporation on March 13, 2019 to December 31, 2019
Directors & officers' compensation	$ 1,938	$ 557
Share-based payments	4,167	68
	$ 6,105	$ 625

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, and was determined to be executive officers and directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

As at December 31, 2020, nil of the above directors' and officers' compensation was included in the trade payables and accrued liabilities (2019 - $557). These amounts are unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2020, the Company incurred expenses for consulting, rent and promotion services in the amount of $133 (period from March 13, 2019 to December 31, 2019 - $144) from 2227929 Ontario Inc. and expenses for consulting in the amount of $118 (period from March 13, 2019 to December 31, 2019 - $120) from Forbes and Manhattan Inc.

As at December 31, 2020, $11 (2019 - $144) was owing to 2227929 Ontario Inc. and $11 (2019 - $120) was owing to Forbes and Manhattan and was included in trade payables and accrued liabilities, and are unsecured, non-interest bearing and due on demand. Fred Leigh is a former director of the Company and is also a director and officer of 2227929 Ontario Inc. Stan Bharti is a director and former Chairman of the Company and is also a director of Forbes and Manhattan Inc.

As at December 31, 2020, $198 (2019 - nil) was owing to Medivolve Inc.and was included in trade payables and accrued liabilities, and is unsecured, non-interest bearing and due on demand. Deborah Battiston is the Chief Financial Officer of the Company and is also the Chief Financial Officer of Medivolve Inc. During the year ended December 31, 2020, the Company purchased inventory of $190 from Medivolve Inc.

During the period from incorporation on March 13, 2019 to December 31, 2019, the Company issued 6 million shares valued at $120 for consulting services to an individual personally related to one of the directors of the Company.

See Note 6 for loans receivable and advances to related parties.

See Note 11 for loans payable to related parties.

18. COMMITMENTS AND CONTINGENCIES

Management contracts
The Company is party to certain management contracts. Currently, these contracts require payments of CAD$2,442 and $1,185 (approximately $3,103) to be made upon the occurrence of a change in control to the officers of the Company. The Company is also committed to payments to certain individuals upon termination of approximately CAD$1,029 (approximately $808) pursuant to the terms of these contracts. As a triggering event has not taken place, these amounts have not been recorded in these consolidated financial statements.

Shared services and space commitment
The Company has an agreement to share general and administrative, promotion, corporate development, consulting services, and office space with other companies at a cost of CAD$15 per month, with a minimum commitment of CAD$45. This agreement may be terminated by either party giving at least 90 days' prior written notice (or such shorter period as the parties may mutually agree upon) to the other party of termination. These services are provided by 2227929 Ontario Inc. (Note 17).

19. LOSS PER SHARE

The following securities were not included in the computation of diluted shares outstanding because the effect would be anti-dilutive:

December 31, 2020	
Stock options (Note 15)	11,383
Warrants (Note 16)	27,000
	38,383

20. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rate is as follows:

	2020	2019
	$	$
(Loss) before income taxes	**(14,334)**	(2,844)
Expected income tax recovery based on statutory rate	**(3,798)**	(754)
Adjustment to expected income tax recovery:		
Share based compensation	**1,299**	23
Impairment	**481**	
Change in statutory, foreign tax, foreign exchange rates and other	**(795)**	(90)
Change in benefit of tax assets not recognized and others	**2,813**	821
Deferred income tax provision (recovery)	**-**	-

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

	2020	2019
	$	$
Intangible assets	**139**	-
Deferred income tax liability	**139**	-

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

Non-capital loss carry-forwards - Canada	**9,079**	2,577
Share issue costs - Canada	**2,486**	-
Non-capital loss carry-forwards – USA	**293**	-
Non-capital loss carry-forwards - Colombia	**2,709**	343
Total	**14,567**	2,920

Tax losses in Canada expire from 2038 to 2040, in Colombia expire from 2031 to 2032, USA in 2040.

Deferred tax assets have not been recognized as it is not probable that future taxable profit will be available against which the Company can use the benefits.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Environmental
The Company's growth and development activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Fair value
The Company's financial instruments measured at amortized cost as at December 31, 2020 and 2019, consist of cash, trade and amounts receivable, loans receivable, trade payables and accrued liabilities, amounts payable to vendors on business combinations, long term debt and loans payable. The amounts reflected in the consolidated statements of financial position approximate fair value due to the short-term maturity of these instruments. The carrying amount of non-current liabilities approximates fair value due to discounting.

Financial instruments recorded at the reporting date at fair value are classified into one of three levels based upon the fair value hierarchy. Items are categorized based on inputs used to derive fair value based on:

Level 1 - quoted prices that are unadjusted in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset/liability either directly or indirectly; and
Level 3 - inputs for the instruments are not based on any observable market data.

The Company had no financial instruments recorded at fair value in the consolidated statements of financial position at December 31, 2020 or 2019.

Fair value estimates are made at the relevant transaction date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

Risk management overview
The Company has exposure to credit, liquidity and market risks from its use of financial instruments. This note provides information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

Credit risk
Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade and other receivables, loans receivable and cash held with banks and other financial intermediaries.

The carrying amount of the cash, trade and amounts receivables and loan receivable represents the maximum credit exposure which amounted to $16,747 as at December 31, 2020 (2019 - $251).

The Company has assessed that there has been no significant increase in credit risk of the loans receivable from initial recognition based on the financial position of the borrowers, and the regulatory and economic environment of the borrowers. As a result, the loss allowance recognized during the period was limited to 12 months expected credit losses. Based on historical information, and adjusted for forward-looking expectations, the Company has assessed an insignificant loss allowance on the loans receivable and advances as at December 31, 2020 and 2019.

The Company provides credit to certain customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. Credit risk for customers is assessed on a case-by-case basis and a provision is recorded where required. As at December 31, 2020, the Company identified certain accounts that may result in a credit loss on its accounts receivable, for which expected credit losses are recognized.

The Company held cash of $15,523 at December 31, 2020 (2019 - $140), of which, $15,393 (2019 – nil) is held with central banks and financial institution counterparties that are highly rated. The remaining amount of $130 (2019 - $140) is held with a financial intermediary in Colombia. The Company has assessed no significant increase in credit risk from initial recognition based on the availability of funds, and the regulatory and economic environment of the financial intermediary. As a result, the loss allowance recognized during the period was limited to 12 months expected credit losses. Based on historical information, and adjusted for forward-looking expectations, the Company has assessed an insignificant loss allowance on this cash balance as at December 31, 2020 and 2019.

Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates, and interest rates, will affect the Company's net income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing the Company's returns.

Foreign exchange risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company does not currently use foreign exchange contracts to hedge its exposure to currency rate risk as management has determined that this risk is not significant at this point in time. As such, the Company's financial position and financial results may be adversely affected by the unfavorable fluctuations in currency exchange rates.

As at December 31, 2020, the Company had the following monetary assets and liabilities denominated in foreign currencies:

December 31, 2020

	CAD	COP	EUR
Cash	$ 1,839	889,204	$ 118
Amounts receivable	594	1,478,432	-
Prepaid expenses	-	1,171,419	-
Trade payables	(581)	(4,032,077)	-
Accrued liabilities	(120)	-	-
Lease liability	-	(1,126,542)	-
Long term debt	-	(1,098,081)	-
	$ 1,732	(2,717,645)	118

As at December 31, 2019, the Company had the following monetary assets and liabilities denominated in foreign currencies:

December 31, 2019	CAD	COP
Cash	$ -	523,677
Amounts receivable	19	5,115
Trade payables	(385)	(247,758)
Accrued liabilities	(791)	-
Lease liability	-	(978,465)
	$ (1,157)	(697,431)

Monetary assets and liabilities denominated in Canadian dollars and Colombian pesos are subject to foreign currency risk. As at December 31, 2020, had the United States dollar weakened/strengthened by 5% against the Canadian dollar with all other variables held constant, there would have been a change of approximately $68 (2019 - $45) in the Company's net loss. As at December 31, 2020, had the United States dollar weakened/strengthened by 5% against the Colombian peso with all other variables held constant, there would have been a change of approximately $40 (2019 - $8) in the Company's other comprehensive income. As at December 31, 2020, had the United States dollar weakened/strengthened by 5% against the Euro with all other variables held constant, there would have been a change of approximately $7 (2019 – nil) in the Company's other comprehensive income.

It is management's opinion that the Company is not subject to significant commodity or interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities. The Company's financial liabilities consist of trade payables and accrued liabilities of $1,809, amounts payable to vendors on business combination of $605, long term debt of $320 and lease liability of $329 as at December 31, 2020. The Company had cash of $15,523 as at December 31, 2020. The Company's policy is to review liquidity resources and ensure that sufficient funds are available to meet financial obligations as they become due. Further, the Company's management is responsible for ensuring funds exist and are readily accessible to support business opportunities as they arise.

Trade payables and accrued liabilities consist of invoices payable to trade suppliers for administration and professional expenditures. The Company processes invoices within a normal payment period. Trade payables have contractual maturities of less than 90 days.

Novel Coronavirus ("COVID-19")
The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

22. CAPITAL MANAGEMENT

The Company considers the aggregate of its common shares, options, warrants and deficit as capital. The Company's objective, when managing capital, is to ensure sufficient resources are available to meet day to day operating requirements and to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

At December 31, 2020, the Company has minimal cash-generating operations; therefore, the main source of cash flow is generated from financing activities. The Company's officers and senior management are in the process of searching for additional business opportunities. Potential business activities are appropriately evaluated by senior management and a formal review and approval process has been established at the Board of Directors' level. The Company may enter into new financing arrangements to meet its objectives for managing capital, until such time as a viable business activity is operational and the Company can thereby internally generate sufficient capital to cover its operational requirements.

The Company's officers and senior management take full responsibility for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

The Company is not subject to any external capital requirements. During the year ended December 31, 2020 there were no changes in the Company's approach to capital management.

23. SEGMENTED INFORMATION

The Company is engaged in the growth, cultivation, and development of medicinal cannabis and medicinal cannabis derivative products through its Colombian subsidiary. The Company is also engaged in the beauty products, hemp industries, beverage and food and pharmaceuticals and nutraceuticals through its other Colombian and American subsidiaries. Management has defined the operating segments of the Company based on operational areas, identifying operations in cannabis growth and derivative production, beauty products, hemp industries, beverage and food and pharmaceuticals and nutraceuticals separate reporting segments. The Corporate segment reflects balances and expenses related to all Company operations outside of Colombia and the United States which collectively represent the corporate operations of the Company and operating segments below quantitative thresholds for individual reporting (beverage and food, and pharmaceuticals and nutraceuticals). The following tables show information regarding the Company's segments for the years ended December 31, 2020 and 2019.

For the year ended December 31, 2020	Cannabis growth and derivative production $	Beauty product $	Hemp industries $	Corporate $	Total $
Revenue	-	78	28	-	106
Cost of Sales	-	31	4	-	35
Gross profit	-	47	24	-	71
Expenses					
Consulting and management fees (Note 14(b) and 17)	262	437	69	3,984	4,752
Professional fees	77	3	2	712	794
General and administrative	102	414	78	806	1,400
Travel expenses	14	60	-	354	428
Share based compensation (Note 15)	-	-	-	4,901	4,901
Depreciation and amortization (Notes 8 and 10)	120	1	-	-	121
Research and development	78	-	-	-	78
Foreign exchange loss	(57)	-	-	69	12
Total expenses	596	915	149	10,826	12,486
Loss before the undernoted items	**(596)**	**(868)**	**(125)**	**(10,826)**	**(12,415)**
Goodwill impairment (Note 10)	-	-	-	1,816	1,816
Interest expense	16	4		10	30
Transaction costs (Note 9)	-	-	-	132	132
Other income	-	(3)	-	(56)	(59)
Net loss for the year	**$ (612)**	**$ (869)**	**$ (125)**	**$ (12,728)**	**$ (14,334)**

For the period ended December 31, 2019, the Company operated a single segment.

	Colombia $	United States $	Canada $	Total $
Non-current assets at December 31, 2020	**1,818**	**-**	**-**	**1,818**
Liabilities at December 31, 2020	**1,922**	**12**	**1,268**	**3,202**
Non-current assets at December 31, 2019	712	-	-	712
Liabilities at December 31, 2019	418	-	2,060	2,478
Year ended December 31, 2020				
Net revenue	75	31	-	106
Gross profit	40	31	-	71

24. SUBSEQUENT EVENTS

REGULATION A OFFERING

Subsequent to December 31, 2020, the Company issued 78 units of the Company at a price of $0.75 per unit for gross proceeds of $58. Each Unit is comprised of one common share in the capital of the Company, with no par value per share, and one-half of one Common Share purchase warrant to purchase one additional Common Share at an exercise price of $1.00 per Warrant Share, subject to certain adjustments, over an 18-month exercise period following the date of issuance of the Warrant. Flora is selling the Units through a Tier 2 offering pursuant to Regulation A (Regulation A+) under the Securities Act of 1933. As at April 16, 2021, the balance of funds held in the escrow account is $180.

LABORATORIOS QUIPROPHARMA SAS
On January 12, 2021, the Company acquired certain assets from Laboratorios Quipropharma SAS ("Quipropharma"), The purchase price is COP1,200,000 ($350) which has been fully paid The Company also entered into an agreement with Quipropharma to purchase certain real estate assets for at total of COP $3,940,000 ($1,143). Subsequent to year end the Company advanced COP1,300,000 ($377) related to the real estate acquisition.

WARRANT EXERCISE
Subsequent to December 31, 2020, 1,000 warrants were exercised at $0.05 for total proceeds of $50.

REGISTRATION STATEMENT
The Company has filed a Form F-1 registration statement under the Securities Act of 1933. The registration statement contains two prospectuses as outlined below:

A prospectus to be used for an initial public offering of 3,333 common shares of the Company as well as up to an additional 500 common shares if the underwriters exercise their over-allotment option; and a prospectus to be used for the resale of selling shareholders of 1,315 common shares of the Company and up to 658 common shares of the underlying warrants of the Company.

In connection with the registration statement, the Company made a resolution approving the consolidation of its common shares on the basis of between two and seven for 1, to be determined at a later date.

Unaudited pro-forma information relating to the anticipated share consolidation

In connection with the registration statement, the Company has contemplated executing the share consolidation at a ratio of 3:1, and the midpoint of the price range for the initial public offering has been set forth in the prospectus at $4.50 per share on a post-consolidated basis.

If the share consolidation were completed at 3:1, the Company's weighted average shares outstanding (in thousands) and loss per share (basic and diluted) would be 29,901 common shares, and $0.48 per share respectively. (2019 – 14,892 common shares, and $0.19 per share respectively).